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FINANCIAL MANAGEMENT PRACTICES OF ATLANTIC FLEET TYPE COMMANDERS

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Thesis
L843

FINANCIAL MANAGEMENT PRACTICES OF ATLANTIC FLEET TYPE COMMANDERS

by

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A Thesis Submitted to the School of Government, Business and International Affairs of The George Washington University in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

June 6, 1965

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PREFACE

The implementation of the "Planning-Programming-Budgeting" concept by the Department of Defense in 1962 brought an increased emphasis on budget justification and review within the Department of the Navy. This emphasis imposes a need for better progress reporting and analysis, plus a need for an improvement in financial accounting and inventory management. This study reviews the present financial management procedures of Atlantic Fleet Type Commanders in the light of these new, more stringent, budgetary requirements.

Active fleet ships in fiscal year 1965 total 883. The money to operate these ships on a day-to-day basis (the replacement of repair parts, the use of consumable supplies, the procurement of equipage items) is provided by a segment of the annual appropriation "Operation and Maintenance, Navy." This segment is called Supplies and Equipage funds.

Although the Supplies and Equipage portion of the total Navy budget is small (about one per cent), the availability and management of these funds has a pronounced influence on the readiness and endurance capability of the Navy.

The author's interest in the financial management practices employed by Type Commanders stems from his two years'

PREFACE

The institutionalization of the "Educable-Trainable-Mentally" children in the Territories of Guinea in 1960 brought an immediate emphasis on longer institutionalization and service within the Territories of the Body. This necessarily insured a need for better programs regarding the mentally ill, plus a need for an improvement in training, counseling and therapeutic procedures. This study reviews the present kinds of training and therapeutic procedures in Guinea Territories, and suggests some strategies, budgetary requirements.

Within these areas no clear-cut pattern has been found. The author is unable to state that one is dependently better than another and it usually works, the use of conservative approaches, the attachment of existing theory is followed by a request of the social scientists, "Generalize and Delineate, Body." This theory is utilized therefore the Territory Study.

Although the Territories and Services profile of the case study subject is small (about 100 per year), the availability and attachment of these funds has a pronounced influence on the attainment the constant availability of the body.

The author's interest in the training, counseling and therapeutic services in Type Commission arises from the lack of

experience as head of a ship's Supply Department and three years' experience in teaching Navy Appropriation and Allotment accounting to Navy ROTC students. During this five-year period the author was exposed to four different sets of Type Commanders' procedures. This basic interest in the subject was given further stimulation by a memorandum from the Deputy Comptroller of the Navy, in which several topics for Master of Business Administration theses were suggested. Among them was the following:

> Each of the Type Commanders has been left largely free to develop financial management procedures as he saw fit. As a result, the methods of financial management differ considerably from one Type Commander to the next. . . . A suggested research project is, therefore, a comparison of the financial management practices pursued by the various Type Commanders.

These three things--the increasing emphasis on budget justification and review, the author's personal interest, and the suggestion by the Deputy Comptroller of the Navy--have prompted this study.

The primary question being pursued by this investigation is whether greater uniformity of financial management procedures should be required. In seeking to answer this basic question, three subsidiary questions have been considered: whether present procedures actually differ significantly; whether present procedures fulfill the requirements of the Type Commander; and, how financial management procedures may be improved at the Type Commander level.

In an attempt to answer these questions, the thesis has been divided as follows: Chapter I presents necessary background material; Chapter II examines the procedures followed in each Type Command and summarizes the major differences existing; Chapter III explains the deficiencies of the present system; Chapter IV discusses current programs which will modify the present system; and the final chapter presents a summary and conclusions.

The methods of research utilized in this study included the analysis of the financial management instructions issued by each Type Commander, a study of Department of the Navy publications, and personal interviews with operating personnel of ships and with staff personnel of Type Commanders, the Bureau of Supplies and Accounts, the Office of the Comptroller of the Navy, and the Office of Navy Material.

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CHAPTER I

FINANCIAL MANAGEMENT OF THE OPERATING FORCES

To provide the background requisite to an understanding of the financial management practices which will be discussed in this study, a review of afloat funding is necessary. The objective of this review is to explain the process which is required in order to obtain Supplies and Equipage funds and to indicate the controls which exist to prevent over-expenditure of these funds. Inherent in such a review is the need to identify the organizational relationships which affect the budgetary process and the need to outline the basic regulations which provide the framework for the financial management procedures which have been developed by the various Type Commanders. It will also be necessary to define certain terms and to specify the kinds of items for which Supplies and Equipage funds may be spent.

Organizational Relationships[1]

Ships operate under two chains of command--administrative and operational. At the risk of oversimplification, an

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[1]For a complete explanation of the organization of the Department of the Navy see: U. S. Department of the Navy, Navy Regulations, General Order No. 5, 1 January 1965, p. 6.

administrative command may be defined as a command which is responsible for the administration of personnel and material for the units assigned to it, whereas an operational command is a command which is responsible for the operations (movement and exercises) of units assigned to it. In an administrative command, ships are grouped as to general classifications or "types" (such as amphibious, air, submarines, etc.). These ships are under the command of an officer (stationed at a headquarters ashore) known as the Type Commander. Under an operational command, ships are grouped on the basis of specific tasks. In this case, ships of several different Type Commands operate together under a Task Force Commander. Consequently, a Task Force Commander may have aircraft carriers, destroyers, submarines, and auxiliary ships under his command, whereas the Type Commander would command only ships of one type (e.g., Commander, Submarine Force, would have only submarines and submarine tenders).[1]

Since ships are constantly shifting from one operational command to another, it would not be feasible to place the responsibility for financial management under an operational commander. The Type Commander (administrative chain of command) is in much better position to perform this function and he has been given this responsibility.

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[1]A detailed discussion of administrative and operational commands may be found in U. S. Department of the Navy, Bureau of Naval Personnel, Naval Orientation, NAVPERS 17138-D, p. 210.

[illegible] may be defined as a command which is responsible for the administration of personnel and material for the units assigned to it, subject to constituent commands in a command which is responsible for the operations [illegible] and [illegible] of military-type or [illegible]. During administrative [illegible], units are grouped on the general classification of "line" units or conditions, are, necessarily, [illegible]. Units which are grouped on the basis of a common function or a [illegible] [illegible] [illegible] on the type commander. Units of [illegible] [illegible], which are grouped on the basis of specific [illegible]. In this case, units of several different type commanders [illegible] [illegible] a [illegible] type commander. Consequently, a [illegible] [illegible] [illegible] [illegible] [illegible], [illegible], [illegible], the military units [illegible] [illegible] [illegible], whereas the line commander would command [illegible] units of one type (e.g. [illegible], [illegible] [illegible], [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].[1]

[illegible] the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible], it would not be feasible to place the [illegible] [illegible] the [illegible] [illegible] [illegible] [illegible] [illegible]. The line commander [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

The next echelon in the administrative chain of command is the Fleet Command level. The six Type Commands in the Atlantic Fleet are under the command of the Commander in Chief, U. S. Atlantic Fleet. (The same organization pattern exists in the Pacific Fleet with the Type Commanders reporting to the Fleet Commander. However, this study deals only with the Atlantic Fleet.) From a budgetary viewpoint, the next higher echelon is the Bureau of Ships which has the overall responsibility to budget for both the Atlantic and Pacific Fleets. The Bureau of Ships receives the budget requests of the Fleet Commanders, includes them with its other requests, and submits its budget to the Navy Comptroller for review and consolidation with the other portions of the Navy budget. The Navy budget becomes part of the Department of Defense budget which is submitted to the Bureau of the Budget. At the Bureau of the Budget level, the Department of Defense budget becomes part of the total budget request which the President submits to Congress. Once approved by Congress the funds are made available by reversing the budgetary process flow just described. A simplified view of the procurement and expenditures of funds is described below.

Synopsis of the Procurement and Spending of Navy Funds

The Federal budget cycle contains four major phases: preparation and submission, authorization, execution, and audit.

The main benefits to the administration which of course is in its first budgetary year. The six-year commitment in the strategic plan has meant the commencement of the implementation of a . . financial plan. The more organisation-wide methods adopted in the Monthly Plans with the Type Commitments reporting to the Plan Commission. However, this study finds more with the Monthly Plans. From a budgeting viewpoint, the most minor criticism is the failure to relate what has the financial resources ability to budget for this the activities and tasks. The report to which investigates the better suggestions in the study "Conclusion", includes these plan the other reports, and monitor the budget in the long Implementation the results and commitments with the other provisions of the long budget. The long-budget commission part of the implementation of performance budget which is sensitive to the budget of the budget. In the terms of the budget cycle, the departments of business budget monitoring and in the yearly budget reports which the Commission monitors in conjunction one approved by Congress the funds are made available to monitoring the budgetary process (the year monitoring). A principle view of the procedures and commitments of funds is essential value.

<u>Progress in the Development and Implementation of Many Tasks</u>

The Council action with a variety (not only) (Public activities and commission, administration, accounting, and basic

The operating forces of the Navy are primarily concerned with the first and third of these phases. The major elements of the budget cycle include:

Budget development.--The Navy internally develops its estimates of the funds it will require to perform its mission.

Budget submission.--The Navy budget request is submitted as a part of the Department of Defense budget request.

Appropriation enactment.--Congress enacts a law which is the authority for the services to spend money.

Apportionment.--The Comptroller of the Navy apportions funds made available by the appropriations to the Navy's bureaus and offices.

Allotment.--The bureaus and offices allocate money from their apportionment to the various activities, offices, and fleet commands for which they have funding responsibilities.

Obligation.--The allotment holders order materials or services creating an obligation for the government to make payment.

Expenditure.--Obligations are liquidated by the payment of funds from the applicable appropriation and allotment.

Accumulation of accounting information.--As obligations are incurred and liquidated, Navy accounting registers the following types of accounting information:

1. Appropriation and allotment accounting information.
2. Cost accounting information.
3. Budgetary accounting information.

The operating forces of the Navy are primarily [illegible] with the first and third of these forces. The major elements of the Navy are [illegible].

Budget development.--The Navy [illegible] the estimates of the funds it will require to perform its mission.

Budget submission.--The Navy budget request is submitted as a part of the Department of Defense budget request.

Appropriation enactment.--Congress [illegible] a [illegible] to the authority for the services to [illegible].

Apportionment.--The Controller of the Navy apportions [illegible] by the Appropriations by the Navy's [illegible] and offices.

Allowance.--The Bureaus and [illegible] allowance money from their apportionment to the various [illegible], offices, and [illegible] for which they have [illegible].

Obligation.--The allowance [illegible] or [illegible] as obligation for the [illegible].

Expenditure.--Obligations are liquidated by the payment of funds from the [illegible] appropriation and allowance.

Accumulation of accounting information.--As obligations are [illegible] and liquidated, Navy accounting registers the following types of accounting information:

1. Appropriation and allotment accounting information.
2. Cost accounting information.
3. Accounting accounting information.

Specific Responsibilities

From the foregoing synopsis, it can be seen that financial management in the Navy involves budgeting and accounting. The responsibility for these functions has been assigned to various commands. It is the mission of the Comptroller of the Navy, subject to the authority of the Secretary, to:

> Formulate principles and policies and prescribe procedures in the areas of budgeting, accounting, auditing, and progress and statistical reporting throughout the Department of the Navy to the end that their use will result in meeting the operating and planning requirements of management with efficiency and economy.[1]

In fulfillment of this mission, several procedural volumes have been developed which comprise the Navy Comptroller Manual. Since this thesis deals with the financial management practices of various Type Commanders, the applicable principles and policies are contained in Volume 8, Operating Forces Funding and Accounting.[2] This manual defines the responsibilities of various persons, establishes funding policies, and prescribes accounting methods and procedures. Many of the procedures are in the category of suggestions. This has led to the development of widespread differences in the manner in which Type Commanders administer the funds allotted to them.

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[1]U. S. Department of the Navy, Financial Management in the Navy, NAVPERS 10792-A, 23 March 1962, p. 18.

[2]U. S. Department of the Navy, Navy Comptroller Manual, Volume 8, NAVEXOS P-1000-8, 12 January, 1961, p. ii. Cited hereafter as NAVCOMPT 8.

Fleet Commanders have been given responsibilities for formulation and execution of financial plans and administration and accounting for funds.[1] The former relates to the Fleet Commanders' budgetary function while the latter pertains to the accounting for the money which has been allocated to them.

Type Commanders are given the responsibility for financial management of the ships and subordinated flag commands over which they have administrative control. This responsibility entails "financial planning, administration of allotted funds, analysis of allotment obligations and expenditures, cost accounting to the degree required, and performance reporting."[2]

From the foregoing description it would appear that the Type Commander has little, if any, responsibility with respect to budgeting. This fact is perhaps the reason which underlies the manner in which some Type Commanders have administered their funds. The emphasis has usually been placed on avoiding over-obligation of the allotment, rather than on certain informational aspects of the job. However, an examination of the budgeting process will illustrate a definite need for emphasis on the preparation and submission phase as well as the execution phase.

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[1]NAVCOMPT 8, p. 1-5.

[2]Ibid., p. 1-6.

Wind Commander have been given responsibilities for formulation and execution of financial plans and administrating and accounting for funds.[2] The former reports to the Wind Commander's inspectory function while the latter pertains to the accounting for the money which has been allocated to them.

Type Commander are given the responsibility for financial management of the ships and subordinated flag commands over which they have administrative control. This responsibility entails "financial planning, administration of allotted funds, analysis of allowance obligations and expenditures, and accounting to the degree required, and performance reporting."[3]

From the Corporation Description it would appear that the Type Commander has little, if any, responsibility with respect to [illegible]. This fact is because the [illegible] [illegible] the number of which some Type Commanders have [illegible] [illegible] funds. The [illegible] has [illegible] [illegible] [illegible] [illegible] of the allotment, rather than to [illegible] [illegible] [illegible] of the job. However, as [illegible] of the [illegible] [illegible] will illustrate a definite need for [illegible] at the [illegible] and [illegible] phase as well as the [illegible] [illegible].

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[2] [illegible], p. [illegible].

[3] [illegible], p. [illegible].

Funding Relationships

In order to obtain funds to support the fleet, each Fleet Commander is required to submit a budget request. This request is based on figures provided by Type Commanders.

Funds for operating the fleet are provided by the appropriation "Operation and Maintenance, Navy." An appropriation symbol is used to identify the overall object or function, the activity responsible for managing the funds (major activity), and the specific purpose (budget program) for which funds are being appropriated.

The appropriation symbol 1751804.2410 will serve as an example. The "17" indicates the Department of the Navy; the "5" represents fiscal year 1965; the "1804" identifies the specific appropriation (in this case, operation and maintenance). The subhead ".2410" is divided into two parts, with the "24" indicating that the Bureau of Ships has the budgeting responsibility for the budget program "10" which is active fleet ships.

From the foregoing example it can be seen that the Bureau of Ships is the project manager for funding the active fleet. Consequently, Fleet Commanders submit their budget requests to the Bureau of Ships, and it is at this stage the first budget reviews are held. Subsequent reviews are held at the Navy Comptroller, Department of Defense, and Bureau of the Budget levels. As a result, budget requests may be adjusted

Funding Relationships

In order to obtain funds to support the fleet, each Fleet Commander is required to submit a budget request. This request is based on figures provided by Type Commanders.

Funds for operating the fleet are provided by the appropriations "Operation and Maintenance, Navy." An appropriation symbol is used to identify the overall object or function, the activity responsible for managing the funds (major activity), and the specific purpose (budget program) for which funds are being appropriated.

The appropriation symbol 1761804.2410 with Navy is as example. The "17" indicates the Department of the Navy; the "4" represents fiscal year 1984; the "1804" identifies the specific appropriation (in this case, operation and maintenance). The subhead "2410" is entered into the Navy, with the "24" indicating that the bureau of Naval Sea the indicating responsibility for the budget program "10" which is active fleet issue.

From the foregoing example it can be seen that the bureau of Naval Sea is the project manager for funding the active fleet. Consequently, Fleet Commanders submit their budget requests to the bureau of Naval, and it is at this stage the first budget review are held. Subsequent reviews are held at the Navy Congressional, Department of Defense, and Bureau of the Budget levels. As a result, budget requests may be [illegible]

at each level as they proceed up through the budgetary hierarchy. Because of the critical nature of the budget reviews at each level, it is imperative that the best possible data be provided to justify the budget requests. This is one of the major deficiencies of the present system.

In order to prevent the expenditure of funds at an excessive rate, certain control devices are instituted once the budget has been approved by Congress. Before any funds can be obligated, an apportionment request must be submitted to the Bureau of the Budget. As funds are released by the Bureau of the Budget, certain "reserves" may be withheld at each level as the funds proceed down the chain of command to the Fleet Commander.

Upon receipt of his suballocation of funds from the Bureau of Ships, the Fleet Commander issues allotments to the Type Commanders. Type Commanders do not issue allotments to individual ships. Instead, ships are directed to submit requests for material and services, citing the allotment number of the Type Commander. To insure that the Type Commander's allotment is not exceeded, ships are given an "operating target" which they must not exceed. This amount is known as an "OPTAR." Figure 1, on page 9, illustrates the flow of funds from the Bureau of Ships down to the individual ships.

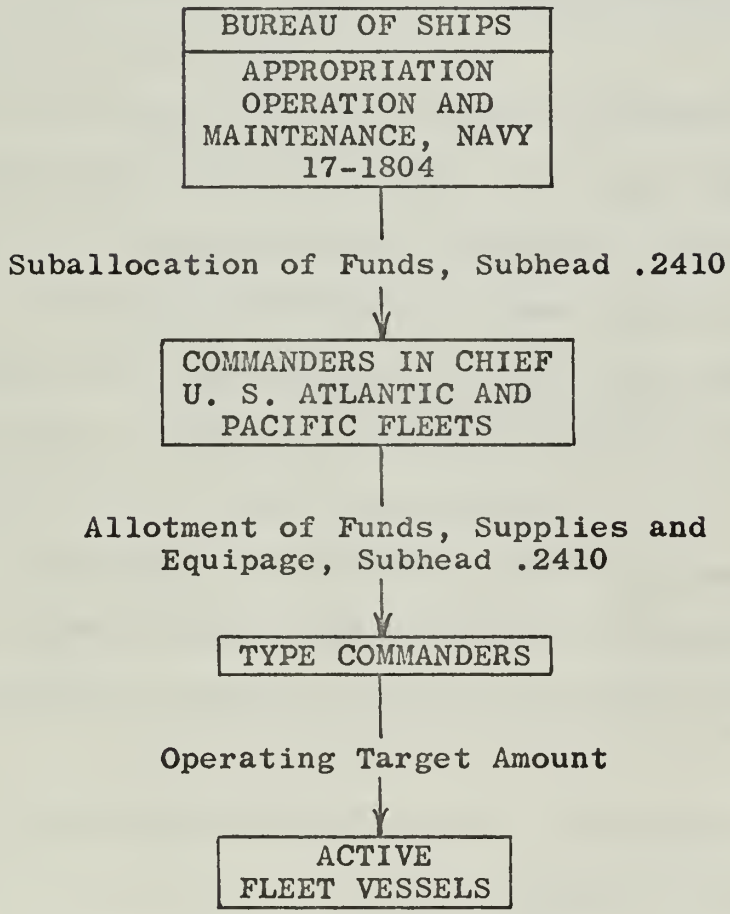
at each level in their attempt to achieve the budgetary allotment. Because of the artificial nature of the budget ceilings at each level, it is impossible that our best possible data be supplied to justify the budget requests. This is one of the major weaknesses of the present system.

In order to prevent the centralization of funds at an economic unit, various budget devices are instituted such as budget lines been approved by Congress. Budget lines can be utilized, as conservatismus requires that be publicity to the bureau of the budget. As since was evident by the study of the budget, certain "reserves" may be utilized at each level as the funds trickled down the chain of command to the final commander.

From results of his calculations at each level the bureau of ratio, the Task Commander leaves allowances to the Type Commander. Type commanders do not leave allowances to subordinate units. Instead, ships are directed to submit requests for material and services, citing the allowance number of the Type Commander. To insure that the Type Commander's allowance is not exceeded, units are given an "operating factor" which they must not exceed. This amount is better as a "crude" figure. In case 1, we made 7, identifying the size of funds from the bureau of ratio down to the individual ships.

FIGURE 1

FUNDING RELATIONSHIPS, ACTIVE FLEET[a]



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[a]NAVCOMPT 8, p. 2-4.

This study is concerned only with the financial management practices related to the administering of funds to be expended for the procurement of supplies and equipage needed incident to operation. Specifically, these funds are to be used for the following broad purposes:

1. To support charges for items required for operations and day-to-day maintenance . . . ;

2. To support harbor and other services such as pilotage, wharfage and tug service . . . when reimbursement is required and charter and hire allotment is not available;

3. To support charges for items which are required aboard tenders and repair ships (except those under Navy Stock Fund Financing) in order to accomplish repairs to other vessels and for which reimbursement is required;

4. To support miscellaneous expenses incurred in daily operations, such as taxi fares, hire of Navy-owned passenger-carrying vehicles, telephone service, fuel for ships' vehicles and ice;

5. Repairs to ships, vehicles and labor-saving devices when service is provided by an activity not holding an allotment for this purpose.[1]

Essentially, then, Supplies and Equipage funds finance shipboard operating costs and inventories. In a study of combatant ships in the Cruiser-Destroyer Force, U. S. Atlantic

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[1] Ibid., p. 2-4.

This study is concerned only with the financial management practices related to the administering of funds to be expended for the procurement of supplies and equipment needed incident to operation. Specifically, these funds are to be used for the following broad purposes:

1. To support charges for items required for operations and day-to-day maintenance - - - ;

2. To support harbor and other services used as pilotage, wharfage and tug service - - - ; such maintenance is required and charter and also dictated in and available;

3. To support charges for items which are required aboard headers and repair which [illegible] from [illegible] in order to accomplish [illegible] to other [illegible] and for which [illegible] is required;

4. To support [illegible] expenses incurred in daily operations, such as [illegible], hire of [illegible] - [illegible], [illegible] service, [illegible] for [illegible] and [illegible];

5. Repairs to ships, vehicles and labor-saving services when service is provided by an activity and holding an alien [illegible] for this purpose.[1]

Specifically, then, [illegible] the [illegible] funds [illegible] [illegible] [illegible] and [illegible]. In a study of [illegible] [illegible] in the [illegible] [illegible], [illegible] [illegible]

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[1] [illegible], p. [illegible]

Fleet, it was determined that 65 per cent of the dollars spent were for technical repair parts.[1] As shown in Figure 2 below, the remaining 35 per cent of Supplies and Equipage dollars were spent for the following specific categories of material:

FIGURE 2

ANALYSIS OF EXPENDITURES FOR OTHER THAN REPAIR PARTS[a]

Category	Type	Percentage
1	Repair Consumables (welding rod, metals)	21.3
2	Maintenance Consumables (light bulbs, grease)	18.9
3	Paint & Related Items	12.7
4	Deck & Seamanship Material (cable, wire rope)	7.1
5	Personnel requirements	7.7
6	Housekeeping Material	5.9
7	Office Supplies	5.3
8	Port Services	3.1
9	Contractual Services	1.9
10	Equipage[b]	16.1
	Total	100.0

[a]Source: U. S. Department of the Navy, COMCRUDESLANT Instruction P 7303.9H, 13 July 1963, Appendix E.

[b]Equipage may be characterized as being portable non-consumable equipment of relatively high dollar value, often of a pilferable nature. Such items as typewriters, binoculars, small arms, foul weather clothing, electronic test sets, etc., are examples of equipage.

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[1]Speech by Captain D. C. McNeill, Force Supply Officer, given to the Navy Graduate Financial Management class at George Washington University on 23 November 1964.

Thus, in the assumption that 60 per cent of the latter cases meet the technical service part-7, assumed in figure 2 below, the reducing 38 per cent of medical and surgical services for the following monthly corresponding to measures:

FIGURE 2

PERCENTAGE OF CONSUMPTION FOR CERTAIN TYPE MEDICAL SERVICE

Category	Type	Percentage
1	Surgical consultation (including oral, initial)	11.1
2	Maintenance consultation (first follow, general)	14.4
3	Child's failure issue	0.7
4	Dual's dermatologic material (skin, skin room)	1.1
5	Surgical requirements	1.7
6	Dermatology treatment	4.8
7	Office supplies	3.3
8	Dual services	0.1
9	Maintenance services	1.3
10	Patients	14.1
	Total	100.0

Source: A. C. Laughlin of the Navy, [illegible] Instructions & Tools, 12 Aug 1944, [illegible] 1

Surgery and is characterized as more passive supervision of medical or surgical field dentist [illegible] of a different nature. Such cases as [illegible], [illegible], [illegible], [illegible], [illegible], [illegible], [illegible], [illegible], [illegible] and [illegible] of problems.

[illegible] C. [illegible], [illegible], [illegible] [illegible] to the [illegible] [illegible] [illegible]

This analysis points up a most important fact. Since 65 per cent of a ship's funds are spent on repair parts, there is a thorough interrelationship of financial management and inventory management. Some Type Commanders have recognized this relationship and incorporated inventory management consideration into their financial management procedures. Unfortunately, however, those Type Commanders who have done so are in the minority.

Requirements Set by the Navy Comptroller

The concept of "OPTAR Accounting" was introduced in the preceding section. Since suballotments may not be made, ships receive a "planning figure." Commanding officers are authorized to procure certain goods and services, citing the allotment number held by the Type Commander as the authority. Although the accounting for operating target amounts is not as detailed as for allotment accounting, certain definite procedures are required. The Navy Comptroller has specified that an Operating Target Record will be maintained, and that an Obligation/Expenditure Report will be submitted. Ships with central storerooms are required to maintain a Departmental Budget Record and submit a Working Capital Report. These are the only "requirements" specified. This is consistent with the Navy Comptroller's philosophy that "monetary records aboard ship

will be kept to the absolute minimum." Each of these required records and reports will be examined in turn.

Operating Target Record

To provide the monetary control required, the Navy Comptroller states that the following columns are considered necessary and will be maintained in the Operating Target Record:

1. Estimated Cost Nonchargeable--material or services not chargeable to Type Commander's allotment (a suitable indicator may be used in lieu of a separate column, if desired);

2. Estimated Cost Chargeable--material and services chargeable to the Type Commander's allotment (cancelled requisitions will be entered as a separate entry in this column and deducted from the total);

3. Matched Expenditure Price--price contained on the invoice or public voucher summaries by the Navy Regional Accounts Office;

4. Difference--difference between the estimated cost of the requisition and the matched invoice price;

5. Operating Target Balance--only when type commander has established an operating target.[2]

Dependent upon the manner in which the ship prefers, transactions may either be posted to the Operating Target Record individually or on a group basis ("batch" posting). Most Type Commanders have expanded the Operating Target Record to include several additional columns.

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[1] NAVCOMPT 8, p. 4-9.

[2] Ibid., p. 4-9.

will in turn be the identity mistaken. Both of these requires knowledge and capacity will be examined in turn.

Operating Target Groups

To provide the necessary capacity initially, the Bury Conservation stands that the following criteria are considered necessary and will be monitored in the operating target groups,

1. Alternative land preservation—potential to secure not desirable in Tree Conservation's allowance in suitable landscape can be used to link up a specific safeness, if desired;

2. Attached land Conservation—potential and services alternative to the Tree Conservation's strategy (specific implications will be achieved as a separate entity in this report and considered from the total);

3. Existing commitments value—price constraints on the landowner or public sector commitments for the Bury Regional Economic Office;

4. Interest—difference between the potential for protecting land of the individuals and the national interest;

5. Providing Total Balance—only when the necessary has established as operating target.

Dependent upon the answer is given the only problem, Difficulties may either be passed to the Operating Target Groups individually or in a group basis (Total Planning). Each time Conservation have consulted the Operating Target Groups to include several political actions.

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[1] Ibid., p. [illegible].

[2] Ibid., p. [illegible].

Each month the ship will receive a Summary of Charges from the Navy Regional Finance Center. These invoices and public vouchers will be "matched" with the requisition documents on file to ensure that the charges are correct. While processing the Summary of Charges (the matching process), those documents which do match are placed in a completed requisition file. Those documents for which incorrect charges have been received are considered "unmatched" and follow-up action is required to effect correction.

Obligation/Expenditure Report

The result of the matching process becomes part of a report which the ship submits on the last day of each month. This report is called the Obligation/Expenditure Report and is submitted to the appropriate Navy Regional Finance Center (either Norfolk or San Diego depending upon whether the ship is in the Atlantic or Pacific Fleet). Certain mandatory information is included. Type Commanders often require additional information to be inserted and require that a copy of the report be sent to them.

The information to be included in the Obligation/Expenditure Report is as follows: Line a.--total value of requisitions issued; Line b.--total value of matched expenditures; Line c.--difference between requisition and matched expenditure values; Line d.--gross adjusted obligations;

Each month the ship will receive a summary of charges from the Navy Regional Finance Center. These invoices and public vouchers will be "matched" with the requisitions documents on file to ensure that the charges are correct. While processing the summary of charges (the matching process), those documents which do match are placed in a completed requisition file. Those documents for which incorrect charges have been received are overlooked "unmatched" and follow-up action is required to effect connection.

Obligation/Expenditure Report

The results of the matching process between what is a report which the ship retains on the last day of each month. This report is called the Obligation/Expenditure Report and is submitted to the Appropriate Navy Regional Finance Center (after forfeit of the Naval Accounting Area whether the ship is in the Atlantic or Pacific fleet). Certain mandatory information is included. Type Commanders often require additional information to be inserted and require that a copy of the report be sent to them.

The information to be included in the Obligation/Expenditure Report is as follows: Line 1.—Total value of requisitions sent; Line 2.—Total value of matched expenditures; Line 3.—Difference between requisition and matched expenditure values; Line 4.—Gross adjusted obligations;

Line e.--outstanding obligations (d minus b); and Line f.--unmatched expenditures.[1]

This report is to be submitted by mail to the appropriate Navy Regional Finance Center. The format to be used is shown in Figure 3, page 16.

Departmental Budget Record

On many ships the operating target amount is broken down into segments and each department is given a share of the funds in the form of a departmental budget. Where this is done, a Departmental Budget Record is to be maintained. Although not mandatory for ships with central storerooms, Departmental Budget Records are recommended as:

> . . . an excellent control device which will enable the commanding officer to measure the rate of obligations against ship's operating target amount; to measure the rate of material issues from the storeroom for the purpose of ensuring that sufficient obligation authority is available for replacement purposes; and to measure the effectiveness of inventory control by providing a comparative analysis of the values of material withdrawn from stock and material processed for direct turnover.[2]

Ships without central storerooms may establish Departmental Budget Records if the Commanding Officer desires and approval is obtained from the Type Commander. The format to be used for the record and reports is optional to the ship and the Type Commander.

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[1] NAVCOMPT 8, p. 4-15, describes in detail the source of information for each caption.

[2] NAVCOMPT 8, p. 4-18.

line 4. —Intergovernmental relationships is where it, and also [illegible] administrative relationships.[7]

This aspect is to be considered in part in the administrative body responsible [illegible]. The theory is to be [illegible] as shown in figure 3, page 15.

Conceptual Budget Design

In very order the operational budget-budget is broken down into budgetary and work development to give a share of the funds in the form of a conceptual budget. Then this is done, a conceptual budget design is to be established. Although not necessarily the order with certain [illegible] conceptual budget design may accommodate [illegible]

> . . . the municipal budgetary design which will enable the [illegible] officer to measure the rate of activities against which operating budget [illegible], to measure the rate of [illegible] from the standpoint of the purpose for which monetary [illegible] is available for individual programs and to measure the effectiveness of expenditure control by providing a comparative analysis of the ratios of [illegible] from [illegible] and [illegible] [illegible].[8]

Using [illegible] [illegible] [illegible] [illegible] budget design [illegible] in the [illegible] [illegible] [illegible] [illegible] from the [illegible]. The theme is to [illegible] the [illegible] [illegible] [illegible] [illegible] [illegible] the [illegible].

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[7] [illegible] [illegible], [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

[8] [illegible], [illegible] [illegible].

FIGURE 3

OBLIGATION/EXPENDITURE REPORT[a]

USS ABBOT (DD 629)
c/o Fleet Post Office
New York, New York

DD 629
1 Jan 1964

From: Commanding Officer
Officer in Charge
U. S. Navy Regional Finance Center
Norfolk, Va. 23511

Subj: Obligation/Expenditure Report

1. This ship has the following transactions to report under allotment 20002 (Commander Cruiser-Destroyer Force, U. S. Atlantic Fleet) from 1 July 1963 to date:

a.	Total value of requisitions issued	$ 1,470.00
b.	Total value of matched expenditures	1,240.00
c.	Difference between requisition and matched expenditure values	- 70.00
d.	Gross adjusted obligations (a plus or minus c)	1,400.00
e.	Outstanding obligations (d minus b)	160.00
f.	Unmatched expenditures	
	(1) Navy Stock Account and other charges	20.00
	(2) Interdepartmental billings	10.00

2. I hereby certify that documentary evidence is available as of the date of submission of this report covering obligations legally incurred during the period 1 July 1963 through 31 December 1963 in the amount of $1400.00 reported hereon.

H. V. McVager

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[a]NAVCOMPT 8, p. 4-17.

Working Capital Report

Ships with central storerooms are required to submit a Working Capital Report to the Type Commander. The report is to be submitted either monthly or quarterly as prescribed by the Type Commander. Through analysis of these reports the Type Commander should be able to ascertain the following:

1. Cost of materials and services used in the actual operation of the ship.
2. Value of materials transferred to other ships.
3. Expenditures required to replenish stock in the central storerooms.
4. Cost of material used in effecting repairs to other ships.
5. Inventory balances.[1]

A suggested format for the report is shown in Figure 4, page 18.

Summary

Within the Navy the responsibility for overall financial management is vested in the Comptroller of the Navy. It falls within his mission to formulate principles and policies and prescribe procedures throughout the Department of the Navy. With respect to the financial management of the Operating Forces, a portion of this authority has been delegated to the Fleet Commander and Type Commander.

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[1] Ibid., p. 4-19.

Working Capital Report

Ships with central accounts may required to submit a Working Capital Report to the Type Commander. The report is to be submitted either monthly or quarterly as prescribed by the Type Commander. Through analysis of these reports the Type Commander should be able to ascertain the following:

1. Cost of materials and services used in the actual operation of the ship.
2. Value of materials transferred to other ships.
3. Expenditures required to replenish stock in the central accounts.
4. Cost of material used in affecting repairs to other ships.
5. Inventory balances.[1]

A suggested format for the report is shown in Figure 4, page 18.

Summary

Within the Navy the responsibility for overall financial management is vested in the Comptroller of the Navy. It exists within his authority to formulate principles and policies and prescribe procedures throughout the Department of the Navy. With respect to the financial management of the Operating Forces, a portion of this authority has been delegated to the Fleet Commander and Type Commander.

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[1] Ibid., p. 2-18.

FIGURE 4

INVENTORY AND WORKING CAPITAL REPORT[a]

USS _____

Month of _____ 196__

	MATERIAL CATEGORY					
1. INVENTORY BALANCE (OPENING)						
2. RECEIPTS						
3. TOTAL (lines 1 and 2)						
4. ISSUES TO SHIPS USE						
5. ISSUES-REPAIR OF OTHER VESSELS						
6. TRANSFERS						
7. SURVEYS						
8. TOTAL EXPENDITURES (lines 4 to 7)						
9. INVENTORY BALANCE (line 3 minus line 8)						
10. OUTSTANDING REQUISITIONS						
11. TOTAL WORKING CAPITAL (line 9 plus line 10)						

[a]NAVCOMPT 8, p. 4-19

Funds are made available to active fleet ships through the following procedure:

1. The Bureau of Ships (which has the budget project responsibility for the active fleet) receives an apportionment from the annual appropriation, Operations and Maintenance, Navy.

2. From this appropriation, the Bureau of Ships grants funds to each Fleet Commander in the form of a sub-allocation.

3. Each Fleet Commander grants funds to each of his Type Commanders by issuing an allotment.

4. Type Commanders give each ship a planning figure, known as an Operating Target Amount (OPTAR).

As ships order material, requisition or purchase documents are generated. These transactions are recorded in an Operating Target Record. When the material is furnished to the ship, a copy of the invoice is provided to the Navy Regional Finance Center which maintains the accounting records for each Type Commander's allotment. Each month the ship will receive a Summary of Charges from the Navy Regional Finance Center. The processing of this summary, together with information in the Operating Target Record, become the basis for a monthly Obligation/Expenditure Report which is submitted to the Navy Regional Finance Center.

Ships with central storerooms are also required to submit periodically an Inventory and Working Capital Report.

A resume of these funding and accounting procedures is depicted in Figure 5, page 20.

Funds are made available to active Fleet ships through the following procedures:

1. The Bureau of Ships (which has the budget project responsibility for the Active Fleet) received an apportionment from the annual appropriations, Operations and Maintenance, Navy.

2. From this appropriation, the Bureau of Ships grants funds to each Fleet Commander in the form of a non-allocation.

3. Each Fleet Commander grants funds to each of his Type Commanders by issuing an allotment.

4. Type Commanders give each ship a planning figure, known as an Operating Target Record (OTTR).

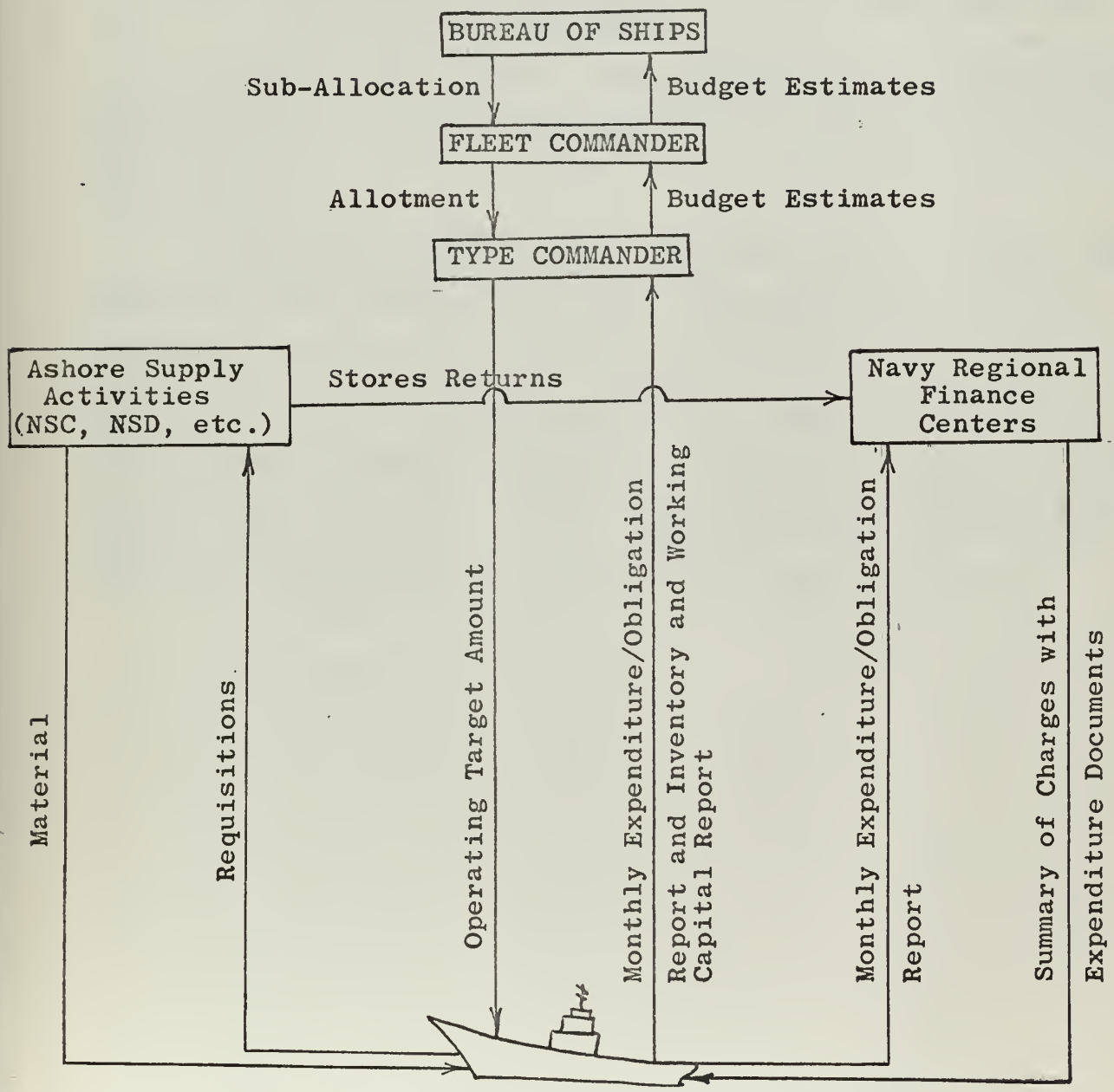
As which order material, requisition or purchase documents are generated. These transactions are recorded in an Operating Target Record. Once the material is furnished to the ship, a copy of the Bureau is provided to the Navy Regional Finance Center which maintains the accounting records for each Type Commander's allotment. Once month the ship will receive a Summary of Charges from the Navy Regional Finance Center. The proposing of this summary, together with information in the Operating Target Record, becomes the basis for a monthly obligation/expenditure report which is submitted to the Navy Regional Finance Center.

Ships with central purchasers are also required to submit periodically an inventory and housing capital report.

A sample of these funding and accounting procedures is delineated in Figure 4, page 26.

FIGURE 5

FUNDING AND ACCOUNTING RELATIONSHIPS, APPROPRIATION OPERATION AND MAINTENANCE NAVY, SUBHEAD .2410[a]



[a]Adapted from NAVCOMPT 8, p. 4-9.

The only mandatory accounting "requirements" established by the Navy Comptroller are:

1. An Operating Target Record
2. An Obligation/Expenditure Report
3. An Inventory and Working Capital Report (on ships with central storerooms)

Although not required, the maintenance of a Departmental Budget Record is strongly "recommended" for ships with central storerooms.

Subsequent chapters will illustrate how the various Type Commanders have modified the basic accounting requirements to fit their own needs and will delineate problems which have resulted from these diverse procedures. Chapter II examines the financial management practices of each type command in the Atlantic Fleet to determine the nature and degree of deviation from the "requirements" set forth by the Navy Comptroller.

CHAPTER II

FINANCIAL MANAGEMENT PRACTICES OF TYPE COMMANDERS

Although it has been recognized for several years that Type Commanders manage their Supplies and Equipage funds differently, no attempt has been made (as far as the author could determine) to ascertain the exact nature and degree of these differences. The objective of this chapter, then, is to compare side-by-side the records kept and reports required by each Type Commander. Such a comparison will highlight the manner in which each Type Commander has modified the basic requirements established by the Navy Comptroller.

As indicated earlier, the Navy Comptroller has specified that "monetary records aboard ship will be kept to the absolute minimum."[1] However, Type Commanders have felt a growing need for additional information. Since the best place to obtain the information desired is from the source, a heavier paperwork burden has been placed upon the ships. For example, note the Operating Target Record suggested by the Navy Comptroller.[2] In order to meet the reporting requirements of the Navy Comptroller, a five-column record would be sufficient. However, this record does not provide the Type Commander with the type

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[1] Ibid., p. 4-9 [2] Ibid.

CONCLUSION

STRATEGIC MANAGEMENT-MARKETING IN THE CONSUMER

Although it has been mentioned for several years that the Consumer-oriented change which Sampling and Quelquun dread difficulty, no attempt has been made thus far to the action could successfully be accomplished the great action and degree of these difficulties. The objective of this chapter, then, is to consider side-by-side the actually both and strategic problems in each Type Consumer. This a consideration will highlight the manner in which the Type Consumer and activities the basic problematic relationship to the Type Consumer.

In conclusion which, the Type Consumer the Sampling Type Consumer problem change will be seen in the strategic activity.[1] Activity, Type Consumer only a problem need the marketing Consumer. Since the Type Consumer to change the strategic activity to take the change, a marketing problem has been placed upon the which. The Consumer, when the marketing Type Consumer suggested by the Type Consumer.[2] In order to meet the regarding requirements of the Type Consumer Sampling, a five-phase method must be established. However, this method does not provide the Type Consumer with the type

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[1]Ibid., p. 1-3 [2]Ibid.

and quantity of information to meet his needs. As a result, most Type Commanders have greatly expanded this record. This causes an increased work load aboard ship and creates a basic conflict of interest. Type Commanders, realizing they must have information for budget justification as well as statistical reporting purposes, are faced with the dilemma of meeting their information needs and yet seeking to keep paperwork at a minimum. What has been said about the Operating Target Record is equally true of the other records and reports required. The problem is aggravated by the fact that, as is to be expected, each Type Commander views his information requirements differently. In the absence of directives to the contrary, the Type Commander issues amplifying instructions. While these specifications may meet his needs, the needs of the Fleet Commander and Bureau of Ships may not be met. This is particularly true when seeking to compare one Type Command against another. At the time of budget justification, it is extremely difficult to substantiate certain figures because all Type Commanders have not collected the same type of information.

This chapter is devoted to a discussion of the major records and reports required by Type Commanders in the Atlantic Fleet. No attempt has been made to cover every detail of the financial management system (such as whether adjustments are made for differences at the time material is received and the way creditable material reimbursement is handled). The focus

is placed on the differences related to the Operating Target Record, Obligation/Expenditure Reports, Inventory and Working Capital Reports, Departmental Budget Records, and the degree of training and guidance given. For each Type Commander a section has been devoted to each of these topics.

The procedures of the Mine Force and Submarine Force are discussed first. Ships under these commands have no Supply Corps officer attached and therefore offer different requirements from the other Type Commanders. The four remaining systems, presented in ascending order of complexity, are those of the Service Force, Amphibious Force, Naval Air Force, and Cruiser-Destroyer Force, respectively.[1]

Commander Mine Force, U. S. Atlantic Fleet

Upon receipt of his allotment of Supplies and Equipage (O&MN) funds from the Fleet Commander, the Mine Force Type Commander provides each ship with a quarterly Operating Target amount (OPTAR). The establishment of Operating Target amounts is accomplished through the use of a Type Commander directive.[2]

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[1]Because of the frequent use of them throughout the remainder of this paper, reference to Type Commanders will hereafter be abbreviated to the acronym of each:
COMINLANT--Commander Mine Force, U. S. Atlantic Fleet
COMSUBLANT--Commander Submarine Force, U. S. Atlantic Fleet
COMSERVLANT--Commander Service Force, U. S. Atlantic Fleet
COMPHIBLANT--Commander Amphibious Force, U. S. Atlantic Fleet
COMNAVAIRLANT--Commander Naval Air Force, U. S. Atlantic Fleet
COMCRUDESLANT--Commander Cruiser-Destroyer Force, U. S. Atlantic Fleet

[2]U. S. Department of the Navy, COMINLANT Instruction 7303.3H, 14 August 1963.

is placed on the differences related to the Operating Target Record, Obligation/Expenditure Reports, Inventory and Serving Capital Reports, Departmental Budget Records, and the degree of training and guidance given. For each Type Commander a section has been devoted to each of these factors.

The procedures of the Sea Force and Submarine Force are discussed first. Ships under these commands have as Supply Corps officer attached and therefore offer different requirements from the other Type Commanders. The four remaining systems, presented in succeeding order of complexity, are those of the Service Force, Amphibious Force, Naval Air Force, and Cruiser-Destroyer Force, respectively.[1]

Commander Sea Force, U. S. Atlantic Fleet

Upon receipt of his allotment of Supplies and Equipage (OSEE) funds from the Fleet Commander, the Sea Force Type Commander provides each ship with a quarterly Operating Target account (OSTEE). The establishment of Operating Target accounts is accomplished through the use of a Type Commander directive.[2]

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[1] Because of the frequent use of them throughout the remainder of this paper, reference to Type Commanders will hereafter be abbreviated to the acronym of each:
CONSIDLANT—Commander Sea Force, U. S. Atlantic Fleet
CONSIDLANT—Commander Submarine Force, U. S. Atlantic Fleet
CONSIDLANT—Commander Service Force, U. S. Atlantic Fleet
CONSIDLANT—Commander Amphibious Force, U. S. Atlantic Fleet
CONSIDLANT—Commander Naval Air Force, U. S. Atlantic Fleet
CONSIDLANT—Commander Cruiser-Destroyer Force, U. S. Atlantic Fleet

[2] U. S. Department of the Navy, CONSIDLANT Instruction 7040.2D, 14 August 1960.

This instruction governs the accounting for Supplies and Equipage funds for the squadron commanders and for all ships and units of the Mine Force. Through the enclosures to the basic instruction, the Type Commander has provided detailed instructions for the various elements in the Force.

Operating Target Record

MINLANT's terminology for the Operating Target Record is "Requisition-Obligation Log." In addition to the columns required by the Navy Comptroller, COMINLANT has expanded the basic Operating Target Record to incorporate the requirements of the Bureau of Supplies and Accounts for a Requisition Record Book.[1] The columns required by COMINLANT are these:

Column	Type of Information
A	Requisition/Purchase Order Number
B	Federal Stock Number/Departmental Stub Number
C	Material Description
D	Department for Which Ordered
E	Requisition Data (Julian calendar date)
F	Activity to Which Sent
G	Date Material Received
H	Date Completed (Julian date on which matched with the Summary of Charges)

[1]U. S. Department of the Navy, Bureau of Supplies and Accounts Manual, Volume III, NAVSANDA P-1, Reprint 1, September 1964, p. 3-185. Cited hereafter as BUSANDA Manual.

This publication covers the accounting for Supplies and Equipage Funds for the Supreme Commander and for all ships the units of the Blue Force. Through the publication to the Basic Instruction, the Type Commander has provided Solution Instructions for the Unique Contents in the Force.

Operating Target Record

SUBLANT's Accounting for the Operating Target Record is "Requisition-Obligation Log." In addition to the columns required by the Navy Comptroller, CONSULANT has expanded the Basic Operating Target Record to incorporate the requirements of the Bureau of Supplies and Accounts for a Requisition Record Book.[1] The columns required by CONSULANT are these:

Column	Type of Information
A	Requisition/Purchase Order Number
B	Federal Stock Number/Departmental Stock Number
C	Material Description
D	Department for Which Ordered
E	Requisition Date (Julian calendar date)
F	Activity to Which Sent
G	Date Material Received
H	Date Completed (Julian date on which entered with the Country of Channel)

[1] U. S. Department of the Navy, Bureau of Supplies and Accounts Manual, Volume VII, Section 1-1, Special 1, September 1964, p. 3-133. Cited Hereafter as Special Manual.

Column	Type of Information
I	APA/Type Transfer (to record material ordered which is in the Appropriation Purchases Account--and therefore not chargeable to the OPTAR--or the column may be used for transfer of material between ships of the Mine Force)
J	Estimated Cost Chargeable
K	Invoice Price (price at which summarized)
L	Difference (if any, between column "J" and "K" for each requisition)
M	Unobligated Balance
N	Remarks (denoting equipage, emergency priority designators, etc.

Obligation/Expenditure Report

COMINLANT's version of the Cumulative Obligation Report differs only slightly from the Obligation/Expenditure Report specified by the Navy Comptroller. Three additional items are required by COMINLANT. In paragraph 1, a caption "g" has been added to show "Target Allocation to Date." Paragraphs 2 and 3 have been added to denote the amount of "B" summaries, covering transfers of material between units of the same Type Command, which have been submitted and received.[1]

Working Capital/Departmental Budget Reports

Since ships in the Mine Force are ships without central storerooms, neither a Working Capital Report nor a Departmental Budget Report are required.

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[1]COMINLANT Instruction 7303.3H, enclosure 4.

Column	Type of Information
1	400/Type Transfer (to record material ordered which is to the Appropriation Treasury Account, and Transfer for charges to the DTRA—or the prices may be used for transfer of material between sales of the Sales Fund)
2	Estimated Cost Charges
3	Service Price (price at which commercial)
4	Difference (if any, between values "4" and "5" for each requisition)
5	Unobligated Balance
6	Remarks (including mortgage, emergency, priority designation, etc.

Obligation/Expenditure Report

CONTRACT's version of the Legislative Obligation Report differs only slightly from the Obligation/Expenditure Report specified by the Navy Comptroller. Three additional items are required by CONTRACT. In paragraph 1, a service "g" has been added to show "Target allocation to date." Paragraphs 2 and 3 have been added to denote the amount of "6" expenditure, covering transfers of material between sales of the same Fire Company, which have been submitted and received.[1]

Working Capital/Departmental Budget Reports

Since shops in the Nine Yards are which without capital allowances, neither a Working Capital Report nor a Departmental Budget Report are required.

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[1] CONTRACT Instruction 7200.66, enclosure 4.

Degree of guidance and training provided

In his basic instruction, COMINLANT sets forth very clear, concise statements concerning the manner in which requisitioning and accounting procedures will be carried out. Included in the basic instruction are sample formats for the various reports and logs, as well as a sample problem. In addition to the basic instruction, COMINLANT has prepared, in conjunction with the Navy Supply Corps School, a publication to be used by the personnel in the Mine Force.[1] This publication is being used as the basic text in a course for incumbent and prospective Supply Officers aboard Mine Force vessels. Initial reports indicate that the course has been well received by participants.[2] Five additional courses are scheduled for the remainder of Fiscal Year 1965.

Further guidance is offered to MINLANT Supply personnel through an instruction entitled "Repair Part Management Procedures for MINLANT Vessels Without Central Storerooms."[3]

Major differences

The foregoing analysis shows that financial management procedures in COMINLANT deviate only slightly from the procedures

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[1]U. S. Department of the Navy, COMINLANT Instruction 4440.3, 6 January 1964.

[2]U. S. Department of the Navy, Bureau of Supplies and Accounts, Newsletter, Vol. XXVII, No. 1, January 1965, p. 17.

[3]U. S. Department of the Navy, Supply Management--Commissary and Retail Sales in Minecraft, MINLANT Publication P-7323.2, 6 August 1964.

Degree of guidance and training provided

In his basic instruction, COMMISSARY [illegible] [illegible] very clear, concise statements concerning the manner in which requisitioning and accounting procedures will be carried out. Included in the basic instruction are sample formats for the various reports and logs, as well as a sample problem. In addition to the basic instruction, COMMISSARY has presented, in conjunction with the Navy Supply Corps School, a publication to be used by the personnel in the Sea Force.[1] This publication is being used as the basic text in a course for management and preservative supply officers aboard Sea Force vessels. Initial reports indicate that the course has been well received by participants.[2] Five additional courses are scheduled for the remainder of Fiscal Year 1968.

Further guidance is offered by MISSARY supply personnel through an instruction entitled "Repair Part Management Procedures for MISSARY Vessels Without Medical Storerooms."[3]

Major differences

The foregoing analysis shows that financial management procedures in COMMISSARY activity only slightly from the procedures

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[1] U. S. Department of the Navy, COMMISSARY Instruction [illegible], 2 January 1968.

[2] U. S. Department of the Navy, Bureau of Supplies and Accounts, Publication, Vol. [illegible], No. 1, January 1968, p. 17.

[3] U. S. Department of the Navy, Supply Management, Commissary and Retail Sales to Discount, MISSARY INSTRUCTION [illegible], 2 August 1968.

established in NAVCOMPT 8. The Operating Target Record and Obligation/Expenditure Report are slightly expanded. No Working Capital nor Departmental Budgets are required since MINLANT ships are designated as ships without central storerooms. Considerable guidance is provided to Supply personnel through a special publication and a formal school.

Commander Submarine Force, U. S. Atlantic Fleet

Accounting for Supplies and Equipage funds in SUBLANT differs considerably from that of the other Type Commanders in the Atlantic Fleet. A greatly revamped set of procedures was undertaken in early January 1965. The new procedures are contained in COMSUBLANT Instruction 7300.3A.[1] The need for the new approach has been summarized in a letter from the Staff Supply Officer of COMSUBLANT:

> SUBLANT has undergone an expansion program during the past five years which is greater than anything experienced since WWII. This growth is attributable to the successful application of nuclear power for submarine propulsion, and the development of the Polaris missile. Accompanying this growth was an increase in S&E fund requirements from $11 million in FY61 to $37 M in FY67. This increase dictated an improved data collection and reporting system for financial management. The new system promulgated by 7300.3A is an ambitious program for submarines with their limited supply resources (one storekeeper with no central storerooms and no supply office), but can be successfully implemented because all SUBLANT tenders have automatic data processing equipment.[2]

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[1]U. S. Department of the Navy, COMSUBLANT Instruction 7300.3A, 11 January 1965.

[2]COMSUBLANT letter dated 2 February 1965 to LCDR Lovell, signed by Captain W. T. Rossell, SC, USN.

[illegible] *Patterson v.* [illegible]. The operating target [illegible] and Oklahoma/Commissioners Report [illegible] [illegible]. So Texas Capital [illegible] Commercial Bankers [illegible] [illegible] [illegible]

Portions of the funds allotted to SUBLANT are assigned to Flotilla Commanders, Squadron Commanders, and the Commanding Officer of the Submarine Base, New London, in the form of obligational authority. The obligation authority so assigned is re-allocated to individual ships and activities in the form of an operating target amount.

Operating Target Record

Official operating target accounting is performed by the tenders, although "memorandum" Operating Target Records are maintained by each holder of operating target amounts. The purpose of memorandum Operating Target Records is to show the current status of operating target funds assigned and no reports are required from these memorandum records. Tenders performing the official operating target accounting for ships assigned to it are required to maintain Operating Target Records as prescribed by NAVCOMPT 8. From these records the tenders prepare the Obligation/Expenditure Report. In addition, the official Operating Target Record provides for the recording of requisitions in the following categories:[1]

	Kind of material	Code
(a)	Direct Turnover (DTO) Consumables	C
(b)	Direct Turnover (DTO) Equipage	E
(c)	Direct Turnover (DTO) Repair Parts	R
(d)	Stock - Repetitive Issue Material	S
(e)	Stock - Insurance Material	I

[1]COMSUBLANT Instruction 7300.3A, p. 4.

Portions of the Force Division to SCHLEY are assigned to Fistilla Commandery, Sandrum Commandery, and the Commanding Officer of the Commanding Road, New London, in the form of obligational authority. The obligation authority so assigned is re-allocated to individual ships and activities in the form of an operating target record.

Operating Target Record

Official operating target accounting is performed by the Tenders, although "Memorandum" Operating Target Records are maintained by each holder of operating target amounts. The purpose of Memorandum Operating Target Records is to find the current status of operating target funds assigned and to reports are required from these memorandum records. Tenders performing the official operating target accounting for ships assigned to it are required to maintain Operating Target Records as pre-scribed by [illegible]. From these records the tenders prepare the Obligation/Expenditure Report. In addition, the official Operating Target Record provides for the recording of requisitions in the following categories:[1]

List of material	Code
(a) Direct Turnover (DTO) Commodities	2
(b) Direct Turnover (DTO) Equipment	3
(c) Direct Turnover (DTO) Repair Parts	4
(d) Stock - Constitute Issue Material	5
(e) Stock - Inventory Material	1

[1] [illegible], p. 4.

This type of information, together with the Inventory Change Record Book, are used primarily for budget justification purposes. The Inventory Change Record Book is maintained by all ships (except tenders). Figure 6, page 31, shows the format for this record. This record becomes the basis for a monthly inventory report.

Obligation/Expenditure Report

As mentioned earlier, individual ships do not prepare the Obligation/Expenditure Report since the ship maintains only memorandum Operating Target Records. The Obligation/Expenditure Report is submitted by the tenders maintaining the official allotment records and is identical to the format prescribed in NAVCOMPT 8.

Inventory and Working Capital Report

No Inventory and Working Capital Report, as such, is required in SUBLANT. However, a combination "Supplies and Equipage Fund Summary and Inventory Status Report"[1] is submitted on a monthly basis by the tenders maintaining the official Operating Target Records. No breakdown as to cognizance symbol is required but there is a distinction made between consumables, equipage, and repair parts. Although there is no place on the form where the inventory balance and outstanding requisitions are added together to obtain a working capital figure, this figure could easily be determined. An example of the COMSUBLANT report is shown in Figure 7, page 32.

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[1] Ibid., p. 6.

This type of information, together with the Inventory Change Record Book, are used primarily for budget justification purposes. The Inventory Change Record Book is maintained on all sales lessons [illegible]. Figure 8, page 31, shows the format for this record. This record becomes the basis for a monthly inventory report.

Obligation/Expenditure Report

As mentioned earlier, individual sites do not prepare the Obligation/Expenditure Report since the [illegible] maintains only Resources Operating Target Records. The Obligation/Expenditure Report is submitted by the [illegible] [illegible] the official allowance records and is identical to the format [illegible] in Exhibit 8.

Inventory and Working Capital Report

My Inventory and Working Capital Report, as such, is required in [illegible]. However, a [illegible] "Supplies and Equipage Fund Summary and Inventory Status Report"[1] is submitted on a monthly basis by the [illegible] maintaining the official Operating Target Records. My [illegible] is to [illegible] [illegible] is [illegible] but there is a distinction made between [illegible], [illegible], and repair parts. Although there is no [illegible] on the form where the inventory balance and outstanding requisitions are added together in [illegible] a working [illegible] figure, this figure could easily be determined. An [illegible] of the [illegible] report is [illegible] in Figure 7, page [illegible].

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[1] Ibid., p. [illegible].

FIGURE 6

INVENTORY CHANGE RECORD BOOK[a]

DATE	REMARKS	CURRENT AMOUNT	CUMULATIVE STOCK ISSUES		CUMULATIVE NON-SIM STOCK ISSUES		CUMULATIVE OTHER STK DECREASES	CUMULATIVE OTHER STK INCREASES	EQUIPAGE DEFICIEN.
			NSA	APA	NSA	APA			
9-1-64	Total B/F		22,578.00	[illegible],200.00	2,150.00	300.00	28.00	14.00	120.00
9-14-64	SURVEY #6-65	50.00							170.00
9-28-64	DEPT. RET. MAT.	80.00						94.00	
9-30-64	NSA - SIM SEPT. ISSUES	8,150.00	30,728.00						
9-30-64	APA - SIM SEPT. ISSUES	600.00		800.00					
9-30-64	NSA - NON SIM SEPT. ISSUES	250.00			2,400.00				
9-30-64	APA - NON SIM SEPT.ISSUES	400.00				700.00			
9-30-64	SEPT. TOTALS		30,728.00	800.00	2,400.00	700.00	28.00	94.00	170.00
10-3-64	INV. LOSS	10.00					38.00		
10-14-64	DEPT.RET.MAT.	20.00						114.00	
10-16-64	SURVEY #7-65	85.00					123.00		
10-16-64	TOTALS C/F		30,728.00	800.00	2,400.00	700.00	123.00	114.00	170.00

[a]Source: COMSUBLANT Instruction 7300.3A.

FIGURE 7

SUPPLIES & EQUIPAGE FUND OPTAR SUMMARY[a]
FOR USS
FOR FISCAL YEAR _____ THROUGH _____

	DIRECT TURN OVER MAT			STOCK MATERIAL		TOTAL
	CONS	EQUIP	REP.PTS.	REPETITIVE	INSUR.	
1. OPERATING TARGET AMOUNT (CUMULATIVE FY OPTAR)						
2. OBLIGATIONS AND MATCHED EXPENDITURES FOR NSA REQUISITIONS (DELTA AM'T ON NRFC REPORT)						
3. UNOBLIGATED OPTAR BALANCE						
4. VALUE APA REQUISITIONS						

INVENTORY STATUS REPORT

5. VALUE SHIP'S ALLOWANCE OF REPAIR PARTS (COSAL/RIAL) _____

6. VALUE INVENTORY RECORDED ON STOCK RECORD CARDS AT BEGINNING OF FISCAL YEAR _____

7. ADD:
   a. VALUE STOCK REQUISITIONS* _____
   b. OTHER STOCK INCREASES** _____
   TOTAL STOCK ADDITIONS _____

8. TOTAL VALUE STOCK AVAILABLE FOR USE _____

9. LESS:
   a. VALUE STOCK ISSUES OF SIM MATERIAL NSA _____
   b. VALUE STOCK ISSUES OF SIM MATERIAL APA _____
   c. VALUE STOCK ISSUES OF NON-SIM MATERIAL NSA _____
   d. VALUE STOCK ISSUES OF NON-SIM MATERIAL APA _____
   e. OTHER STOCK DECREASES*** _____
   TOTAL STOCK DECREASES _____

10. CURRENT INVENTORY VALUE _____

11. CURRENT ALLOWANCE DEFICIENCIES OF REPAIR PARTS (ITEM #5 LESS ITEM #10) _____

12. CURRENT DEFICIENCY OF EQUIPAGE _____

13. VALUE TOTAL MATERIAL CONSUMPTION (ITEM #2 + #4 + #9, LESS ITEM #7) _____

*CUMULATIVE FISCAL YEAR AMOUNT, INCLUDE BOTH NSA AND APA MATERIAL
**GAIN BY INVENTORY, NON-REQUISITIONED RECEIPTS, MATERIAL RETURNED TO STOCK BY DEPT.ETC.
***SURVEYS, TRANSFERS, LOSS BY INVENTORY, ETC.

[a]**Source: COMSUBLANT Instruction 7300.3A.**

Degree of guidance and training provided

The basic operating target instruction provides detailed information for the implementation of Type Command financial procedures. As an important adjunct to the operating target procedures, COMSUBLANT has also issued comprehensive inventory management procedures. The procedures are contained in a Type Command instruction entitled "Selected Item Management."[1] In essence, "Selected Item Management" provides a highly concentrated inventory management system for those items which experience frequent demand.

Major differences

Financial management procedures in COMSUBLANT differ from those set forth in NAVCOMPT 8, in the following respects:

a. The official Operating Target Record is not maintained by the holder of the operating target amount but by another activity (e.g., tender).

b. The Obligation/Expenditure Report is submitted by the activity keeping the official Operating Target Record (rather than by the holder of the operating target amount).

c. The Inventory and Working Capital Report is considerably different in format from that prescribed by the Navy Comptroller.

---

[1]U. S. Department of the Navy, COMSUBLANT Instruction 4420.1, 21 August 1964.

[illegible] of [illegible] and [illegible]

The basic operating [illegible] [illegible] [illegible]

d. Since most SUBLANT ships are ships without central storerooms, no Departmental Budget Record is required.

An important aspect of the financial management procedures of SUBLANT is the inventory management system known as "Selected Item Management."

Commander Service Force, U. S. Atlantic Fleet

Procedures for administration of and accounting for Supplies and Equipage funds allotted to COMSERVLANT are contained in COMSERVLANT Instruction 7042.1A.[1] The records and reports required in the Service Force are as described below.

Operating Target Record

The "Obligation/Expenditure Record" used in SERVLANT is a combination Requisition Record Book and Operating Target Record. In addition to the columns prescribed by NAVCOMPT 8,[2] and BUSANDA Manual, Volume III,[3] four additional columns are required. These columns are used to record the transfer of material between ships and units within the Type Command.

Obligation/Expenditure Report

COMSERVLANT has modified the Obligation/Expenditure Report only slightly. One additional paragraph with two

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[1]U. S. Department of the Navy, COMSERVLANT Instruction 7042.1A, 2 January 1962.

[2]NAVCOMPT 8, p. 4-9.

[3]BUSANDA Manual, Vol. III, p. 3-185.

[illegible] [illegible] [illegible] [

sub-captions is required in order to reflect the total operating target amount granted and the effect of transfers within the Type Command. One copy of the report must go to COMSERVLANT and one copy to the appropriate Squadron Commander.

Inventory and Working Capital Report

The Inventory and Working Capital Report required by COMSERVLANT is almost identical to the format suggested by the Navy Comptroller.[1]

Departmental Budget Records

COMSERVLANT requires all ships with central storerooms to maintain Departmental Budget Records. Ships without central storerooms may establish such records, if desired. A suggested format is provided in the basic operating target instruction.

Degree of guidance and training provided

Although no training course is conducted for Supply personnel, the instructions provided seem sufficiently clear to accomplish the accounting requirements established by the Type Commander. No specific guidance is given with respect to priority of expenditure of operating target funds.

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[1]NAVCOMPT 8, p. 4-19.

[illegible] is required in order to reflect the total operating [illegible] and the effect of [illegible] [illegible] Type Formula. The view of the [illegible] that is [illegible] are more in the [illegible] [illegible].

Inventory and Ordering Control Theory

The Inventory and Ordering Control Theory [illegible] is [illegible] in [illegible] to the [illegible] [illegible] to the [illegible] [illegible].[7]

Mathematical Model Theories

Contributory [illegible] will [illegible] [illegible] [illegible]

Major differences

Of the various Type Commands studied, COMSERVLANT's financial management procedures are closest to those procedures set forth by the Navy Comptroller.

Commander Amphibious Force, U. S. Atlantic Fleet

Monetary ceilings (operating targets) for the various ships and units of PHIBLANT are established through the medium of COMPHIBLANT Instruction 7303.2J.[1] A secondary purpose of this instruction is to supplement instructions contained in NAVCOMPT 8.

The records, files, and reports required by COMPHIBLANT are as outlined below.

Operating Target Record

COMPHIBLANT does not combine its Requisition Record Book and Operating Target Record into one document. Instead, each activity is required to maintain four separate records: Requisition Record Sheet, Operating Target Record, Summary Verification Sheet, and Unmatched Expenditure Sheet. While each requisition must be posted individually to the Requisition Record Sheet, Summary Verification Sheet, and Unmatched Expenditure Sheet, COMPHIBLANT requires "batch" posting to the Operating Target Record.

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[1]U. S. Department of the Navy, COMPHIBLANT Instruction 7303.2J, 23 June 1964.

Major differences

Of the various Type Commerce services, CONSIGNMENT's financial management procedures are closest to those procedures set forth by the Navy Comptroller.

Commerce Operations Force, U. S. Atlantic Fleet

Secondary entities (operating targets) for the various ships and units of CONSIGNMENT are established through the mechanism of CONSIGNMENT Instruction 7000.21.[1] A secondary purpose of this instruction is to supplement instructions contained in REFERENCE 2.

The records, lines, and reports required by CONSIGNMENT are as outlined below.

Operating Target Record

CONSIGNMENT does not contain the Regulating Record Book and Operating Target Record into one document. However, each activity is required to maintain four separate records: Regulating Record Book, Operating Target Record, Summary Verification Sheet, and Consigned Quantities Sheet. While such recapitulation must be posted individually to the Regulating Record Sheet, Summary Verification Sheet, and Consigned Quantities Sheet, CONSIGNMENT requires "better" posting to the Operating Target Record.

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[1] U. S. Department of the Navy, CONSIGNMENT Instruction 7000.21, 22 June 1954.

Obligation/Expenditure Report

COMPHIBLANT requires a copy of each month's Obligation and Expenditure Report to be submitted to him. This copy must contain five captions in addition to those required by the Navy Comptroller. The additional captions are:

Caption	Type of Information
(g)	The money value of the last summary received and reflected in this report, month of _____.
(h)	The cumulative value of all summaries received and reflected in this report. Should equal total of caption (b) plus caption (f).
(i)	Total money value of OPTAR funds received to date, including net amount automatically taken up as a result of transfers and receipts within the force.
(j)	Net amount automatically taken up and a result of transfers and receipts within the force--plus or minus figure.
(k)	Unobligated balance.[1]

Inventory and Working Capital Report

The Inventory and Working Capital Report required by COMPHIBLANT is far more comprehensive than the one suggested by the Navy Comptroller. The COMPHIBLANT Report (see Figure 8, pages 38 and 39) covers information pertaining to Commissary, Ship's Store, and Disbursing, in addition to the normal information as to receipts, issues, and unobligated operating target balance.

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[1] Ibid., p. 7.

[illegible]/[illegible] Report

[illegible] provides a copy of each member's [illegible] and [illegible] report in an [illegible] as [illegible]. This [illegible] must [illegible] five [illegible] in addition to those required by the [illegible] [illegible]. The additional [illegible] are:

Section	Type of Interest
(a)	The [illegible] value of the [illegible] [illegible] [illegible] [illegible] in this report [illegible]
(b)	The [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] in this report [illegible] [illegible] [illegible] [illegible] (of [illegible] section (2).
(c)	Total [illegible] value of [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

FIGURE 8

INVENTORY AND WORKING CAPITAL REPORT[a]

USS _____ Quarter Ending _____

Description	Totals	Mechanical & Electrical Repair Parts	Electronic Repair Parts	Ordnance Repair Parts	Boat Load/ Supplmntl' Boat Load	Aviation Repair Parts	ALL OTHER CHARGEABLE MATERIAL AND SERVICES
1. Value of Allowance							
2. Inventory Balance B. F.							
3. Receipts							
4. Total (lines 2 and 3)							
5. Issues from stock							
6. Issues - DTO							
7. Transfers							
8. Surveys							
9. Total Expenditures							
10. Inventory Balance (Line 4 Minus Line 9)							
11. Outstanding Requisitions for FY 1965		( )	( )	( )	( )	( )	( )
Outstanding Requisitions for FY 1964		( )	( )	( )	( )	( )	( )
Outstanding Requisitions for FY 1963		( )	( )	( )	( )	( )	( )
12. Total Working Capital							
*13. Number of line items on Allowance							
*14. Number of allowance line items stocked							
15. Number of line items stocked as a result of usage							
16. Number of FAST MOVING line items							
17. Number of line items ordered on DTO basis							

* When line 14 differs from line 13 it must be justified under special notes on reverse side.

[a]Source: **COMPHIBLANT Instruction 7303.2J.**

FIGURE 8--Continued

18. OPTAR funds expended during quarter for port services. (deployed units only) _____

19. a. Money value of equipage items replaced during the quarter (both equipage requiring custody signature and that not requiring custody signature) _____

    b. Money value of equipage expended during the quarter (both equipage requiring custody signature and that not requiring custody signature) _____

20. COMMISSARY:

    Days endurance on board at the end of quarter for:
    Ship's Allowance _____
    plus
    Troop berthing capacity _____

21. SHIPS STORE AND CLOTHING:

    Ship's Store retail store difference (plus or minus (S&A Form 235) _____

    Percent of sales _____%

    Clothing retail store difference (plus or minus) (S&A Form 235) _____

    Percent of sales _____

22. Percentage of 2190T and 9250 lube oil on board:

    2190T _____

    9250 _____

23. Verification of Disbursing Officer's funds:

    Date conducted _____

    Funds on hand _____

SPECIAL NOTES:

REMARKS:

_____
COMMANDING OFFICER

Departmental Budget Report

The Supply Officer of each activity is required to submit a budget report (presumably a Departmental Budget Report) to the Commanding Officer at least once each month. COMPHIBLANT does not specify the content of this report nor offer a suggested format.

Degree of guidance and training provided

Although COMPHIBLANT does not offer specific training for Supply personnel in operating target accounting procedures, rather detailed guidance is provided in the basic instruction. For example, a definite priority has been established for the expenditure of operating target funds. Ships and units are required to do the following:

1. Reorder all repair parts as issued on a one for one basis.

2. Maintain 100 per cent of range of allowance of mechanical and electrical repair parts on board at all times.

3. Maintain 100 per cent of range and depth of allowance of electronic repair parts on board at all times.

4. Maintain 100 per cent of range and depth of ordnance repair parts on board at all times.

5. Maintain stock levels of consumables and bulk liquid product (lube oil) as prescribed by the Fleet Commander.

6. Replace equipage as expended or surveyed and procure new items as allowances are changed.

Departmental Budget Report

The Supply Officer of Last Activity is required to submit a budget report (approximately a departmental budget report) to the Commanding Officer at least once each month. COMPRIMARY does not specify the contents of this report but offer a suggested format.

Degree of Guidance and Training Provided

Although COMPRIMARY does not offer specific training for supply personnel in operating target accounting procedures, rather detailed guidance is provided in the basic instruction. For example, a Definite Priority has been established for the expenditure of operating target funds. Chiefs and Units are required to do the following:

1. Cancel all repair parts at hand on a map for one month.
2. Maintain 100 per cent of range of allowance of mechanical and electrical repair parts on board at all times.
3. Maintain 100 per cent of range and depth of allowance of electronic repair parts on board at all times.
4. Maintain 100 per cent of range and depth of ordnance repair parts on board at all times.
5. Maintain stock levels of consumption and dual limits product (both all) as authorized by the Fleet Commander.
6. Minimum reliance on expanded or accurate and procure new items in allowance are stamped.

7. Obligate 50 per cent of their operating target funds in the first month of the quarter and 25 per cent for each succeeding month.

Major differences

The financial management practices of COMPHIBLANT differ from those of NAVCOMPT 8 in the following respects:

1. Additional information is required in the copy of the Obligational/Expenditure Report submitted to the Type Commander.

2. The Inventory and Working Capital Report is greatly expanded and includes information concerning Commissary, Retail Sales, and Disbursing.

3. Definite instructions have been given concerning inventory management and the rate at which funds will be obligated.

Commander Naval Air Force, U. S. Atlantic Fleet

Financial management procedures for ships in this Type Command are contained in COMNAVAIRLANT Instruction 7300.1C.[1] As with other systems discussed thus far, ships in this Force are given a quarterly operating target.

Operating Target Record

The Operating Target Record used by COMNAVAIRLANT differs slightly from those previously noted in that separate columns are provided for the posting of requests for repair parts, consumables, equipage, and for material which is not chargeable

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[1]U. S. Department of the Navy, COMNAVAIRLANT Instruction 7300.1C, 23 November 1963.

to the operating target. Likewise, separate repair parts, consumables, and equipage columns are provided for the posting of differences generated in the matching process. In the basic instruction, COMNAVAIRLANT defines each category to insure that complete understanding exists as to which material is to be classified as equipage, consumables, or repair parts. An additional variation of the Operating Target Record procedures is the requirement for ships with EAM installations to post requisitions individually and to include the Federal Stock Number. Ships operating a manual system may omit the Federal Stock Number and may "batch" post.

Obligation/Expenditure Report

COMNAVAIRLANT's version of the Obligation/Expenditure Report is very similar to that prescribed by NAVCOMPT 8. A paragraph 2 has been added to show the value of unmatched expenditures included in caption "F" which are a proper charge to the ship. COMNAVAIRLANT requires a copy of each Obligation/Expenditure Report to be sent to him. Unmatched expenditures included in the report are the subject of a separate report which must be submitted to the Type Commander by the tenth of the month (see Figure 9, page 43). This report shows an analysis of the unmatched expenditures as to whether over-charges, under-charges, erroneous extensions, or charges for which the material has not been received.

FIGURE 9

UNMATCHED EXPENDITURE REPORT FOR SUPPLIES AND EQUIPAGE[a]
ALLOTMENT 20011/6_ FOR PRESENT AND PRIOR FISCAL YEARS

From: Commanding Officer, USS SARATOGA (CVA 60)
To: Commander Naval Air Force, U.S. Atlantic Fleet

Subj: Unmatched Expenditures for Supplies and Equipage Allotment 20011/63; review of

Ref: (a) USS SARATOGA (CVA 60) Fiscal Year 1963 Obligation/Expenditure Report for June 1963
(b) NAVCOMPT Manual, para 084153

1. Caption "F" of reference (a) lists $10.340.00 in unmatched expenditures, * summarized by Navy Regional Finance Center (NRFC), Norfolk against subject allotment. Reference (b) prescribes action to be taken to clear out unmatched expenditures.

2. The following information concerning Fiscal Year 1963 unmatched expenditures is furnished as follows:

		VALUE	NO. OF DOCUMENTS	
*	a. Erroneous summarized charges	4,861.20	89	*
	(1) Total value of debits	5,861.20	30	
	(2) Total value of credits	1,000.00	59	
	b. Erroneous charges not matched due to errors in price or money value extensions	2,384.16	35	*
**	c. Summarized charges for material requisitioned but not received	3,094.64	22	
	d. Total unmatched expenditures (dollar value should equal amount on line "F" of the Obligation/Expenditure Report)	10,340.00	146	*

* Amount that will not be charged against OPTAR

** Amount that will eventually be charged against OPTAR.

[a]Source: COMNAVAIRLANT Instruction 7300.1C.

Inventory and Working Capital Report

Each quarter ships with central storerooms submit an Inventory and Working Capital Report. The report in AIRLANT differs only slightly from the format suggested by the Navy Comptroller:

1. The breakdown by material category (cognizance symbol) is shown on the reverse of the report.

2. Additional captions have been added to show receipts and transfers within the type command, issues to aviation units, and transfers to ashore supply activities.

Departmental Budget Report

In most Type Commands, the Departmental Budget Report is prepared by the Supply Officer and submitted to the Commanding Officer and the ship's department heads to apprise them of the current status of their departmental budgets. COMNAVAIRLANT requires the maintenance of Departmental Budgets and the submission to him of an "Annual Departmental Operating Budget Report." The report is used to ascertain the actual expenditures of the ship's quarterly operating target.

Degree of guidance and training provided

No training course is provided for AIRLANT supply personnel. However, rather complete instructions are contained

Economic and Political Stability Theory

Such another model with central dimensions about an Economic and Political Stability Theory. The theory is already active only already find the formal connection in the two conditions.

1. Are measured by economic activity indicators (measures (GNP) is known as the activity of the theory).

2. Institutional activities that have been in the political and economic sphere the time measures, theory is activity sphere and indicators as known every activities.

Developmental Change Model

In many Type Changes, the developmental change depend is dependent on the supply chains and activities in the Commercial Office and the state's developmental model in another case of the internal action of state development theory. Developmental Theories the relationship of Internationally Economic and the relationship in the of an "Almost Industrialized Capitalist State". The theory is used in measures the actual indicators of the state's activity activities theory.

Degree of Industry and Training Measures

In training theory of measures and Internal Economic measures. Measures, Human Capital, Industrialization and Economic

in the basic operating target directive. Considerable additional guidance is given through informal letters to individual ships from the Assistant Chief of Staff (Supply).[1]

COMNAVAIRLANT has specified that operating target funds will be expended in the following order of priority:

1. Damage control and firefighting equipment will be maintained at 100 per cent of range and depth.
2. Central storeroom stock levels will be maintained as prescribed in the Fleet Commander's Operation Orders.
3. Equipage will be obtained as allowances change and replaced when surveyed.
4. Other essential supplies and services.
5. Material and services required for habitability purposes.
6. Deficiencies will be reviewed as to their military worth before ordering.[2]

Major differences

The financial management procedures in AIRLANT differ from those prescribed in NAVCOMPT 8 in the following respects:

1. Information is gathered to show whether the material ordered is for equipage, consumables, or repair parts.

2. A special report on the status of unmatched expenditures is required.

3. The Departmental Budget Report is submitted to the Type Commander.

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[1]Memorandum from Commander R. E. Batterson, SC, USN, Staff, COMNAVAIRLANT, to Lieutenant Commander Lovell, 1 February 1965.

[2]COMNAVAIRLANT Instruction 7300.1C.

[illegible]

[illegible]

[illegible]

4. Priorities are established for the expenditure of funds.

5. A special Material Readiness Deficiencies Report is required quarterly. See Figure 10, page 47.

6. An annual replacement schedule for equipage and miscellaneous items must be maintained and submitted annually. See Figure 11, page 48.

Commander Cruiser-Destroyer Force, U. S. Atlantic Fleet

The comprehensiveness of the procedures in DESLANT may be inferred from the title used for the publication which contains the instructions--Readiness and Money (RAM): System for Supplies and Equipage Fund Management.[1] The extent of guidance provided by this document will be discussed in detail under the heading of guidance and training at the end of the section on this Type Commander.

Assignment of operating targets in DESLANT is different in two respects from other systems studied:

1. The squadron commander is given the authority to decide the amount for each ship;

2. The operating target amount granted is only for use in procuring equipage, consumables, and services.

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[1]U. S. Department of the Navy, COMCRUDESLANT Instruction P7303.9H, 13 July 1963.

[illegible]

[illegible]

[illegible]

FIGURE 10

MATERIAL READINESS DEFICIENCIES REPORT[a]

NAVEXOS-4181

USE FOR URGENT LETTERS ONLY

NAVAL SPEEDLETTER

DO NOT CLEAR THROUGH COMMUNICATION OFFICE

(One box must be checked)

☐ REGULAR MAIL ☐ SPECIAL DELIVERY

☒ AIR MAIL ☐ REGISTERED MAIL

CLASSIFICATION

IN REPLY REFER TO

DATE

TO: Commander Naval Air Force,
U.S. Atlantic Fleet
U.S. Naval Air Station
Norfolk, Virginia - 23511

(Fold)

NAVAL SPEEDLETTER—
Permits dispatch or informal language.
May be sent (1) with enclosures, (2) in a window envelope (size 8⅞" x 3⅞"), if contents are not classified as confidential or higher, (3) to both naval and nonnaval activities.
Is packaged 500 sheets of white or of one color: yellow, pink, or green.

Subj: MATERIAL READINESS DEFICIENCIES REPORT

Ref: (a) COMNAVAIRLANTINST 7300.1C

The following material readiness deficiencies are reported in compliance with reference (a): *

a. Inventory deficiencies by COG symbol and money value:

(This figure is to be determined by usage items based on current readiness levels. Insurance items may be reported to 100% COSAL range).

b. Value of deficiencies ordered since last report. *

c. Value of essential equipage deficiencies including inoperative items not repairable by the ship's force. List 10 most urgent items, in priority sequence, showing nomenclature, quantity and extended cost. *

d. Value of damage control deficiencies not included in paragraph c above.

(In view of para. 4a(1) of this Instruction, if there is a figure reported for this caption, complete justification for the deficiency and descriptive data including nomenclature, quantity and unit price of each item is required).

Note: It is essential that in compiling the total value of deficiencies for this report that the current inventory figure be used.

ADDRESS:

←SENDER'S MAILING ADDRESS

Address reply as shown at left; or reply hereon and return in window envelope (size 8⅞" x 3⅞"), if not classified as confidential or higher.

CLASSIFICATION

U. S. GOVERNMENT PRINTING OFFICE 16—64000-8

[a]Source: CONMAVAIRLANT Instruction 7300.1C.

FIGURE 11

ANNUAL REPLACEMENT SCHEDULE FOR EQUIPAGE AND MISC ITEMS[a]

STOCK NUMBER	NOMENCLATURE	SHIPS ALLOWANCE	SHIPS DEPARTMENT CONCERNED	REPLACEMENT QUANTITY	QUARTER DURING FY DESIGNATED FOR REPLACEMENT	FUNDS SET ASIDE FROM EACH QUARTER	TOTAL MONEY VALUE
H5805-505-2508	TYPE A Telephone		Engineering	8	2nd	1st $240. 2nd $240.	$480.

[a]Source: COMNAVAIRLANT Instruction 7300.1C.

Repair parts are not charged to each ship's operating target. Extensive instructions and restrictions on the procurement of repair parts are contained in a separate instruction entitled Selected Item Management.[1] A brief statement of this policy is shown in Figure 12, page 50.

Operating Target Record

The Daily Expenditure Analysis Ledger (COMCRUDESLANT version of the Operating Target Record) is a top-bound, preprinted ledger providing space for 4,950 entries per ledger (each page has space for 33 entries and there are 150 pages in each ledger). A total of 19 columns are provided for the recording of the following information: Julian Date; Requisition Serial Number; Priority; Material Distribution Code; Federal Stock Number; Nomenclature; Estimated Cost Chargeable (Repair Parts, Equipage, Other); OPTAR Balance; Date Material Received; Month of Summary; Matched Expenditure Price; Difference; Unmatched; Total Summaries to Date; Project Codes; Remarks; and Audit. Columns 18 (Remarks) and 19 (Audit) may be used as desired by each ship, except that the money value of non-chargeable material is to be recorded in column 19. All the other columns have specific instructions given as to their use. Figure 13, page 51, is a sample Daily Expenditure Analysis Ledger page.

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[1]U. S. Department of the Navy, COMCRUDESLANT Instruction 4420.2C, 4 May 1961.

Depth scale has not changed in [illegible] [illegible] [illegible]
[illegible]. Subsurface instruments are [illegible] on the [illegible]-
[illegible] of [illegible] study are conducted in a [illegible] [illegible]
[illegible] [illegible] [illegible]. A [illegible] [illegible] of [illegible]
[illegible] [illegible] in Figure 12, page 40.

Power in Tropic Seawater

The daily [illegible] [illegible] [illegible] [illegible]
[illegible] of the [illegible] Tropic Seawater is a [illegible], [illegible]
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

FIGURE 12

COMCRUDESLANT

REPAIR PARTS REPLACEMENT POLICY[a]

	PRIOR TO FY 1965	FY 1965	
		16 Jul - 14 Oct 1964	14 Oct 1964
FAST MOVERS	90 DAY HIGH 60 DAY LOW	75 DAY HIGH 45 DAY LOW	90 DAY HIGH 60 DAY LOW
SLOW MOVERS	ISSUE 1 - ORDER 1	ISSUE - IF ALLOWED MORE THAN 1 DO NOT REORDER UNTIL ZERO BALANCE IS REACHED.	ISSUE - IF ALLOWED MORE THAN 1 DO NOT REORDER UNTIL BALANCE OF 1 IS REACHED.
	IF NOT ALLOWED AND 2 DEMANDS - ORDER 1 FOR STOCK.	IF ALLOWED 1 AND PREVIOUS DEMAND OCCURRED MORE THAN 12 MONTHS AGO, DO NOT REORDER FOR STOCK.	IF ALLOWED 1 REORDER UPON ISSUE.
			IF NOT ALLOWED AND 2 DEMANDS - ORDER 1 FOR STOCK.

[a]Source: Chart provided by Staff, COMCRUDESLANT.

FIGURE 13

CRUDESLANT FORM 7303-1

DAILY EXPENDITURE ANALYSIS[a]

(INCL DATES FM 12/20/63 TO 2/27/64) FISCAL YEAR 1964 ACCTNG NO. 55555

U. S. S. ALWAYS GONE (DD 999) (Force Activity Designator 777) II — 4032

REQUISITION NUMBER: JULIAN DATE (1)	SERIAL (2)	PRIORITY (3)	MATERIAL DISTRO CODE (4)	DESCRIPTION: Federal STK Number (5)	Nomenclature (6)	Estimated Cost Chargeable: Repair Parts (7)	Equipage (8)	Other (9)	OPERATING TARGET BALANCE (15)	DATE Material Received (11)	MONTH of Summary (12)	RECONCILIATION: Matched Expenditure Price (13)	Difference (14)	Unmatched (15)	TOTAL SUMMARIES RECEIVED TO DATE (16)	CODE (17)	REMARKS (18)	AUDIT (19)
									BF 950.00								OPTAR TO DATE 18,000.00	
3354	3510	18	06378	1H 5950-314-4253	Transformer	10.94											FWD SPCC 3364	
3354	3511	18	EQOPS	D 8345-176-7924	Pennant		6.40			—	—						Cancelled 3360	
3354	3512	18	WEAEM	9G 8540-530-3770	Toilet Paper			80.00		3362	JAN							
3358	3513	6	NCEEM	1H 6105-312-4787	Motor-Alternating	575.00				3362	JAN							
3358	3514	18	05NIS	VARIOUS	SERVMART ITEMS		18.00	37.60		3358	JAN							
3358	3515	18	11000	VARIOUS	SERVMART REPAIR PARTS	14.95				3358	JAN							
3358	3516	18	13001	9G 7530-251-6366	Folder, File			16.00									EMNNZ	
3360				REQN / 3511	CANCELLED		-6.40			—	—							
3360	3517	18	ENGSF	9G 7920-205-1711	Rags, Wiping			124.50		4003							3363	
3360	3518	13	NCWGM	Z 1240-379-5304	Telescope	473.00				3364	—						see 3364 Rec'd APA	
3360	3519	18	NCAFT	R 3110-227-2364	Bearing	N/C											AFI 4019	
3363				3360/ 3519	Received in APA	-473.00				—	—							APA 473.00
3363	3520	3	NCEBT	1H 3040-529-2139	Coupling	24.00				3365			RP + 282.48			CR2		
3363	3521	18	EQWEA	D 7210-268-8675	Pillow		12.00			4003			OH + 50.00					
3365				CUMULATIVE	TOTALS	20,624.89	3,030.00	14,258.10	661.90			17000.00	+332.98	1,000.00	18,000.00		Total OBLIGS to date 37,912.99	
4001	0001-0472	13	06000	"H" COG RANGE DEFICIENCY		15,672.44				—	—					SO2	see deficiency listing	
4001			OPTAR INCREASE REF COMDESRON MSG 312456						10,661.90	—	—						OPTAR Date 28,000.00	
4002	3522	18	15237	9C 4310-495-5407	Valve	13.20											AFI 4025	
4002	3523	18	01173	2AX 1030-380-5078	Block AY	N/C												APA 280.00
4002	3524	18	NCEBT	KZ 5330-290-0240	Packing	7.20				4022			RP -36.20					
4002	3525	18	WEAEM	KZ 8010-551-7933	Lacquer			3.60		4022			OH +172.40					
4004			MATCHED	PREVIOUSLY UNMATCHED					10,485.90	---	—	472.40	+136.20*	-472.40				
4006	7721	13	CONTRACT CLEANING OF FOUL WEATHER GEAR					134.60		4010								
4006	3526	6	NCOBT	9N 5960-262-1696	Tube Type 6022	42.00				4010			RP -13.00					
4018	3527	18	EQSUP	1H 2090-269-0984	Chair W/O Arms		21.60						OH + 145.00				EMNNZ	
4023			SUMMARY OF CHARGES - DECEMBER						10,184.70	—	—	7,642.22	+132.00*	24.80	7,667.02			
4030			CUMULATIVE TOTALS			36,359.73	3,051.60	14,396.30	10,184.70	—	—	25,114.62	+601.18	552.40	25,667.02		Total Obligs to date 53,807.63	
4041	3528	2	NCOFT	1N 5840-284-6476	Radome	1.79				4043						CR2		
4043	3529	17	04NIS	BIG "20" REQN				776.00					RP + 6.00					
4052	7722	12	OPSRM	RADIO TYPEWRITER REPAIR				20.00		4052			OH -27.00					
4058			SUMMARY OF CHARGES JANUARY						9,415.70	—	—	14,333.70	-21.00*	-0-	14,333.70			
4058			CUMULATIVE TOTALS			36,361.52	3,051.60	15,192.30	9,415.70	—	—	39,448.32	+580.18	552.40	40,000.72		Total Obligs to date 54,605.42	
TOTALS																		

* NET TOTAL DIFFERENCES INCLUDING BOTH REPAIR PARTS AND OTHER

[a] Source: COMCRUDESLANT Instruction P7303.9H.

Obligation/Expenditure Report

The Obligation/Expenditure Report in DESLANT differs from the format in NAVCOMPT 8 in the following manner:

1. Caption (a) has been expanded to show a breakdown as to amounts obligated for repair parts, equipage, and other items as well as for amount budgeted and operating target allotted to date;

2. Caption (c) requires a breakdown of the differences generated in the matching process to show differences related to repair parts requisitions and those for equipage/other items;

3. A caption (g) has been added to show total summaries received to date and space for listing each summary by month;

4. A caption (h) has been added to show the monthly issues and replenishment data for Carried Repair Parts.

Destroyer tenders submit a different Obligation/Expenditure Report from the other ships in the Force. The captions in the tenders' reports are identical to the one in the manual.

Inventory and Working Capital Report

COMCRUDESLANT's Inventory and Working Capital Report is similar to the one appearing in NAVCOMPT 8. The only differences are that one caption has been added for a line item count by cognizance symbol and one caption for receipts funded by other allotments.

Obligation/Expenditure Report

The Obligation/Expenditure Report is [illegible] from the Forest in [illegible] in the following manner:

1. Caption (a) has been expanded to show a [illegible] as to amounts obligated for repair parts, equipage, and other items as well as for annual budgeted and operating funds allotted to date;

2. Caption (c) required a breakdown of the differences generated in the matching process to show differences related to repair parts requisitions and funds for equipage/other items;

3. A caption (g) has been added to show total [illegible] received to date and space for listing each summary by [illegible];

4. A caption (h) has been added to show the [illegible] issues and replenishment data for Carried Repair Parts.

Contractor tenders submit a different Obligation/Expenditure Report from the other ships in the Force. The captions in the tenders' reports are identical to the one in the manual.

Inventory and Working Capital Report

[illegible]'s Inventory and Working Capital Report is similar to the one appearing in [illegible]. The only differences are that the caption has been added for a time [illegible] of Continuous [illegible] and the caption for [illegible] [illegible] or other [illegible].

Departmental Budget Reports

No mention is made of Departmental Budget Reports in the instructions issued by COMCRUDESLANT.

Additional records and reports required

Ships in DESLANT are required to submit several reports in addition to those required by other Type Commanders. Note the following:

1. Financial Obligation Analysis Report--submitted by tenders and covers expenditures related to the repair of other vessels (ROV);

2. Availability of Inventory for Maintenance Report--submitted by all ships, when directed by the Type Commander, for the purpose of determining the ship's effectiveness in filling maintenance demands from various levels of inventory;

3. Semi-Annual Financial Plan--submitted by all ships to show, by month, planned usage of repair parts and procurement of equipage, consumables, and services;

4. Financial Plan Format for Squadron Commander--submitted by each Squadron Commander showing anticipated charges to COMCRUDESLANT allotment for each ship in the squadron, by month, for the next six months;

5. Equipage Replacement Plan (EQREP)--maintained by each ship for some sixty-five items of equipage, shows the deficiency for each item and when the ship plans to replace the item (see Figure 14, page 54).

Organizational Talent Strategy

Co-workers in needs of Organizational Design Consult in the Leadership Council of COMMUNITY.

Activities Planned and Expected Results

Aims to Analyze and Implement to Assist Related Systems to Operate in Order Priority by Lifey Use Commonly, Also the Following:

1. Technical Collaborate Analysis Tools—Operates to Common and Cross Communication Systems be the Begins of Some Commonly Using;

2. Availability of Commonly Use Enterprise Report—monitored in all ways, some elements by the Open Commonly, for the purpose of Determining the Work's Effectiveness in Filling Enterprise Common-Use Various Levels of Inventory

3. Semi-Annual Financial Alignment—Analyzing Or Fit Which to Plan, Be Ready Schedule Cause to Assign Work and Commonly of Positions, Responsibility, and Activities

4. Financial Plan Based for Employee Commonly—Activities to Each Employee Commonly Showing Activity Ability to Commonly Activity for Your Body to the Operation, Or Commonly, for the Work Its Working.

5. Employee Functionary Plan Ability—Activity for Many Plan for Work Activity Plan Or Activity, Some Plan Activity for Each Plan for Your Or Plan Plan to Employee for Long Plan Plan Plan, Plan Plan.

EQUIPAGE REPLACEMENT PLAN (EQREP)

COMCRUDESLANTINST P7303.9H

U.S.S _____ Appendix C AS OF 1 JULY 196__

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W												X	Y	Z
ITEM	FSN	APL NO.	ALLOWED QTY.	ONBO IN USABLE CONDITION	DEFICIENCY QTY.	DOLLAR VALUE OF DEFICIENCY	PLAN-PROCURED							INVENTORY	PLAN-PROCURED					TOTAL INVESTMENT		INCREASE IN DEFICIENCY (IF ANY)											TOTAL INCREASE	DEFICIENCY (IF ANY) END OF FISCAL YEAR	
							JUL	AUG	SEP	OCT	NOV	DEC	JAN		FEB	MAR	APR	MAY	JUN	PLAN QTY	$ PROCURED QTY	$ J	A	S	O	N	D	J	F	M	A	M	J		QTY.	$ VALUE
1. Adding Machine																																				
2. Alidade																																				
3. Barometer																																				
4. Bearing Circle																																				
5. Binoculars																																				
6. Blow-Torch																																				
7. Buffer																																				
8. Cabinet, File																																				
9. Calculating Machine																																				
10. Camera																																				
11. Canister, Oxygen																																				
12. Chronometer																																				
13. Chain, Anchor																																				
14. Chair																																				
15. Clock																																				
16. Compass																																				
17. Coffee Urn																																				
18. Desalter Kit																																				
19. Detector Kit																																				
20. Dia Set																																				
21. Dishwasher																																				
22. Drafting Machine																																				
23. Drill, Electric																																				
24. Duplicating Machine																																				
25. Ensigns, Flags & Pennants																																				
26. Extinguisher																																				
27. Fenders																																				
28. First Aid Chest																																				
29. Fire Hose																																				
30. Fishing Kit																																				
31. Flashlight																																				
32. Food Basket																																				
33. Foul Weather Jacket																																				
34. Fountain, Water																																				
35. Gage																																				
36. Grinder																																				
37. Hammer, Pneumatic																																				
38. Handset																																				
39. Headset																																				
40. Indicator																																				
41. Flame Safety Lamp																																				
42. Lantern, Battle																																				
43. Laundry, Washer																																				
44. Life Preserver																																				
45. Lifeboat, Inflatable																																				
46. Lines, Mooring																																				
47. Locker																																				
48. Mask, Gas																																				
49. Mattress																																				
50. Meat Slicer																																				
51. Mixer, Food																																				
52. Oxygen, Breathing App.																																				
53. Projector																																				
54. Pump																																				
55. Repair Kit																																				
56. Sander																																				
57. Soldering Iron																																				
58. Stabilizer																																				
59. Stop Watch																																				
60. Sailing Gear																																				
61. Table																																				
62. Telescope																																				
63. Tester																																				
64. Torch																																				
65. Typewriter																																				

FIGURE 14

These reports are sent in to the Type Commander where the COMCRUDESLANT Force Statistical Central places the information on punched cards and processes them to obtain the following kinds of analyses:

a. Per cent of total demands met by allowance list

b. Per cent of total demands met by inventory

c. Per cent of total demands met by "Selected Items"

d. ROV investment by ship

e. Dollar value of repair part consumption by type ship

f. Dollar value of equipage deficiency by ship type

g. Relation of inventory and casualty reports[1]

Degree of guidance and training provided

Although no training is given by COMCRUDESLANT, about 10 per cent of the Supply Management Course at the Navy Supply Corps School is devoted to instruction in the DESLANT system. Even without this training (or if it has been several years since the training was received, as is the case of lieutenants and higher grades who serve as Supply Officers of the larger ships), the massive detail provided in the Readiness and Money publication provides ample guidance to permit administration of the system.

---

[1]U. S. Department of the Navy, COMCRUDESLANT Instruction P7303.9H, 13 July 1963, p. VIII-10.

[illegible]

[illegible] reports are sent in to the Type Commander where the [illegible] Forms Statistical Central Blocks the information on [illegible] and processes time to obtain the following kinds of analyses:

a. Per cent of total demands met by Allerdyce list
b. Per cent of total demands met by Inventory
c. Per cent of total demands met by "Selected Items"
d. EOV investment by ship
e. Dollar value of repair part consumption by type ship
f. Dollar value of equipage deficiency by ship type
g. Relation of inventory and casualty reports[1]

Degree of guidance and training provided

Although no training is given by [illegible], about 10 per cent of the Supply Management Course at the Navy Supply Corps School is devoted to instruction in the [illegible] system. Even without this training for it is but been several years since the training was required, it is the case of [illegible] and higher grades who serve as Supply Officers of the larger ships. The massive detail provided in the [illegible] and Monty publication provides ample guidance to permit administration of the system.

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[1] [illegible], Department of the Navy, [illegible] Instruction [illegible], [illegible], p. [illegible].

Among the many very helpful features in Readiness and Money, the following are considered particularly noteworthy:

1. A detailed table of contents consisting of six single-spaced pages;

2. Several illustrative figures;

3. Numerous appendices, including one giving a chronology of required actions at the end of the fiscal year and one giving a check-off list for the matching of summaries of charges;

4. Narrative description of the philosophy underlying the various records and reports required.

Major differences

DESLANT's financial management procedures are considerably different from those established in NAVCOMPT 8, as the following list will indicate:

1. The Operating Target Record is expanded from the five columns required by the Navy Comptroller to a total of nineteen columns.

2. Operating targets in DESLANT do not include expenditures required for repair parts.

3. Authority for determining the ceiling for each operating target is delegated to squadron commanders.

4. Obligation/Expenditure reports require additional information.

5. There is a thorough-going attempt to relate inventory management and financial management procedures.

6. Numerous special reports are required.

Summary

In the preceding pages, twenty-one different instances were cited wherein Type Commander financial management procedures differ from the requirements set forth by the Navy Comptroller. This does not mean that these deviations are either improper or that they are unwarranted. Their citation is meant only to clearly indicate that there is wide variation in procedures employed by the various Type Commanders. These variations may be telescoped into five basic differences:

1. Not all Type Commands collect information which will permit an analysis of whether funds were spent on equipage, repair parts, or consumables. (COMNAVAIRLANT, COMCRUDESLANT, and COMSUBLANT do collect this information, the others do not.)

2. Considerable variation in policy exists concerning the priority of expenditure of operating target funds--

a. COMNAVAIRLANT places damage control and fire-fighting equipment as the number one priority whereas COMPHIBLANT requires the replacement of spares on a one-for-one basis as the highest priority. In COMCRUDESLANT, operating target funds are not charged for repair parts but ships are directed to follow a detailed procedure for repair part replenishment.

b. COMPHIBLANT requires its ships to obligate 50 per cent of its operating target in the first month and 25 per cent in each succeeding month; no other type command has such a requirement.

3. Only three of the six Type Commanders have instituted a Selected Item Management System of inventory control as a corollary to its financial management system.

4. The quantity and quality of information gathered varies markedly in that COMNAVAIRLANT and COMCRUDESLANT gather a far greater amount of material than other commands.

5. Determination of the amount of the operating target to be granted each ship has been delegated to Squadron Commanders in two Type Commands whereas the other commands retain this authority at the headquarters level.

Each Type Commander has sought to establish a financial management system which will best serve his purposes. The nature of these purposes and the degree to which they are being fulfilled are topics which will be discussed in the next chapter.

CHAPTER III

PROBLEMS INHERENT IN THE PRESENT SYSTEM

As previously noted, the Fleet Commander issues an allotment of funds to each Type Commander for the purpose of supporting the ships under his command. The specific responsibilities assigned to each Type Commander with regard to these funds include "financial planning, administration of allotted funds, analysis of allotment obligations and expenditures, cost accounting to the degree required, and performance reporting."[1]

It would seem, then, that the development of a financial management system at the Type Command level must fulfill two basic objectives: allotment accounting and financial planning. The following discussion outlines the underlying forces which caused Type Commanders to develop their procedures as they have and will specify certain problems which have resulted from these procedures. It will be seen that many of these problems are not directly the fault of the Type Commander but stem from forces over which the Type Commander has no control. Among these forces are changes in the Navy Stock Fund, allowance list problems, and the changing composition of the ships under the command of the Type Commander.

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[1] NAVCOMPT 8, p. 1-6.

The fundamental problem which exists is the absence of uniform procedures. This lack of uniformity has been extremely costly over the years in terms of budget cuts. The other problems which are discussed in this chapter are related to this central theme. The discussion focuses on the two basic areas of the Type Commander's responsibility--allotment accounting and financial planning.

Allotment Accounting

Allotment accounting has undergone considerable change over the past twenty years and many of the revisions are directly related to changes which have occurred in the Navy Stock Fund and the Appropriation Purchases Account. The Appropriation Purchases Account is a stores account and consists of material previously paid for from annual appropriations. The Navy Stock Fund consists of two parts, cash and material. The material portion is carried in the Navy Stock Account.

From the time of its establishment in 1893 and continuing until after World War II, the Navy Stock Fund was used to finance consumable materials. All other materials were purchased from annual appropriations and issued free of charge to the ships.[1] Even as late as 1952, the only items carried in the Navy Stock Account were general stores (consumables of all types), vehicular equipment repair parts, special shipboard electrical fittings and fixtures, clothing, provisions, ship's store stock,

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[1]U. S. Department of the Navy, Bureau of Supplies and Accounts, History of the Naval Stock Fund and Naval Supply Account, 1945 (mimeographed), pp. 40-84.

The Commission's policies could provide in the absence of motion pictures. This lack of leadership has been extremely costly for the people in terms of health and. The Union Pacific which the Commission is also charged has failed to this country even. The Commission's record of the use of its power to the Type Commission's responsibility—allocating economic and financial planning.

Alabama Government

Alabama's economic and resources conservation strategy over the past twenty years and many of the resources and economic planning in changes which have occurred in the long time that the Government-initiated workshop concept. The corporations Tuscaloosa Chamber is a strong economic and resources to maintain particularly with the free market competitiveness. The long-term that commission of the power needs and activities. The business growing is carried in the very "that business.

From the time of the establishment in 1970 the commission worked using their 12, and many groups that had been in planning economic activity. All other commission data processing from annual appropriations and federal grant of money by the state.[1] Even so late in 1980, the only items carried in the long range economic and general state commission of its report.

Alabama experienced energy parts, general economic economic activity and finance, planning, production, health care and

---

[1] Statement by the Hon. Joseph C. Wright, Jr. and Commission, History of the Power Commission and Commission, Commission, Ala.

and fuels and lubricants.[1] Technical repair parts and most items of equipage were not carried in the Navy Stock Account but in the Appropriation Purchases Account. Since these items had previously been charged to an annual appropriation at the time of purchase, they were not charged to the ship's operating funds when issued to the ships. Thus, the major portion of the items (dollar-wise) were a "free issue" as far as the ships were concerned.

However, during the next few years several items began migrating from the Appropriation Purchases Account to the Navy Stock Account. By 1957 all repair parts and a high proportion of equipage items had been transferred to the Navy Stock Account and were charged against the ship's operating funds at the time of issue. With this increase in chargeable items, Type Commands were faced with certain allotment accounting difficulties. Ships required greater amounts of funds with which to purchase materials and yet there was no valid basis which would indicate the amount of funds required. A second problem was the requirement to develop a system to control the funds in order to prevent over-obligation of the Type Commander's allotment.

Level funding

Deciding upon the amount of money to give each ship is a difficult matter indeed. In general, the answer has been to

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[1]U. S. Department of the Navy, Bureau of Supplies and Accounts, The Navy Stock Fund Annual Report, Fiscal Year 1952, NAVSANDA Publication 263, p. 9.

give all ships of the same class (CVA, APA, AF, etc.) an operating target of the same amount. This is sometimes referred to as "level funding." The difficulty imposed by such a concept is that expenditures required by all ships of the same class are not identical. For example, one ship may use several more electronic tubes of a certain type than another ship in the same squadron. The other ships who do not experience this cost are fortunate in that they have considerably more funds available for other purposes. The unfortunate ship is thus penalized to a certain extent. Consequently, level funding does not allow for individual differences between ships. To remedy this situation, one Type Commander (COMCRUDESLANT) has taken repair parts out of the operating target funding area. Since the other Type Commands do not follow this practice, level funding remains a deficiency of the allotment accounting system. The primary difficulty, however, lies in the area of financial planning and will be discussed in greater detail in that section.

Avoiding over-obligation

The requirement to avoid over-obligation is a very real one. Chapter 3 of NAVCOMPT 8 reminds Type Commanders of the provisions of the Antideficiency Act which stipulates that:

> . . . all agencies of the government receiving appropriations of public funds will establish administrative regulations to prevent any act which will cause an obligation, commitment, or expenditure to be made in excess of an appropriation, reapportionment, or subdivision thereof, including allotments and suballotments.[1]

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[1]NAVCOMPT 8, p. 3-3.

Preventing over-obligation thus becomes one of the primary aims of the Type Commander. Accordingly, each Type Commander has established a records-and-reporting system which will accomplish this aim. By giving each ship a planning figure (operating target) which it cannot exceed and through monthly reports (one from the ship and another from the Navy Regional Finance Center) the Type Commander can readily police the system and obviate the possibility of exceeding his allotment. To this extent, then, present financial management procedures fulfill one of the Type Commander's objectives--avoiding over-obligation. However, there is considerable evidence to indicate that the second objective--financial planning--is deficient in several respects.

Financial Planning

Since the term "financial planning" may have several meanings, it is used here to be interchangeable with planning related to budgeting. The Supplies and Equipage portion of the Navy budget, in theory, is built from the bottom up. It begins at the shipboard level with the submission of anticipated requirements to the Type Commanders. Type Commanders review, adjust, and merge the individual requirements for transmission to the Fleet Commander. After review, consolidation, and adjustment, the data is forwarded to the Bureau of Ships where it is assembled as part of that bureau's budget.

Because of the format in which the budget must be submitted to the Fleet Commander, certain informational requirements are placed on the Type Commander. As will be seen in Figure 15, page 65, information must be included concerning consumable supplies, equipage, repair parts, inventory, and allowance list deficiencies. This creates a major problem for the Type Commander because of a lack of data on allowance list deficiencies and the inability to categorize expenditures. A related problem is that presented by the modern ships and complex weapons systems which are entering the Fleet. Each of these problems will be discussed in turn.[1]

The allowance list problem

In Chapter I it was pointed out that 65 per cent of Supplies and Equipage funds are spent for repair parts. Requirements for repair parts are based on allowance lists. Each of the approximately nine hundred ships in the Fleet has an allowance list which includes hull, machinery, electrical, electronics, and ordnance items. Among the nine hundred ships there are several different ship types with many dissimilarities. There are even dissimilarities between ships of the same type. To fully support the Fleet, allowance lists contain about 1.5 million items. A further complication is that many different

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[1]Much of the information in this section is based on notes and figures obtained in an interview with Mr. C. M. Bacon, Head of the Afloat Policy/Procedures Branch, Fleet Operations Division, Bureau of Supplies and Accounts, on 12 February 1965.

FIGURE 15

FORMAT FOR SUBMISSION OF S & E JUSTIFICATION

DATA BY FLEET COMMANDER TO BUREAU OF SHIPS[a]

Operation and Maintenance, Navy
Apportionment Request and Budget Data
Fiscal Years 1964, 1965, and 1966

Type (1)	No. of Ships (2)	Consumable Supplies	Equipage Replacements	Repair Parts Replacements	Total Unit Cost (3)
	Total Cost (4)	Beginning Inventory (5)	Ending Inventory (6)	Ships Allowance (7)	Total Deficiencies (8)

Category I Ships requirements (9) and (10)
Ia Other Allowance Deficiencies
II Flag and Commands
III Repairs to other Ships
IV Service Craft and Docks
V Special Projects & Operations

Notes:
(1) List ship types, as applicable, under each category.
(2) Total number of ships within each type that will be funded within the applicable year.
(3) Average dollar requirement to fund one ship.
(4) Total cost for all ships within each type less credit for material turned into store.
(5) Value of beginning inventory in dollars.
(6) Value of ending inventory in dollars.
(7) Value of items comprising ships allowance in dollars.
(8) Value of deficiencies in dollars (SOAP).
(9) Indicate explanation of required increase or decrease for fiscal year 1964 and 1965.
(10) Indicate explanation of required increase or decrease for fiscal year 1965 and 1966.

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[a]Letter from Chief, Bureau of Ships to Commander in Chief, U. S. Atlantic Fleet and Commander Service Force, U. S. Pacific Fleet, serial 518B-405 of 10 December 1963.

equipments must be supported. For example, in the Hull/Machinery/Electrical areas alone, 160,000 different equipments must be supported.

Considerable progress in the allowance list areas has been made during the past several years.[1] Note the following:

1. During World War II and shortly thereafter, the ship's repair parts for each equipment were kept in repair parts boxes in the custody of the cognizant department head.

2. In 1951 the Revised Individual Allowance List (RIAL) was introduced. The RIAL listed repair parts by ship rather than equipment. Management of the items was transferred from the department heads to the Ship's Supply Officer.

3. In 1957 significant advances were made in the allowance list area with the advent of the Coordinated Shipboard Allowance List (COSAL). The major contribution of the COSAL was the reduction of the depth of items required on board and the standardization of the allowance lists for similar ships.

4. The most recent concept to appear is that of the OPTIMUM COSAL, which is currently being tested in the Fleet Ballistic Missile Program. The OPTIMUM COSAL is designed to optimize the factors of military essentiality, quantity, cost, and stowage constraints.

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[1]For a comprehensive coverage of this area, see Robert G. Iverson, et al., The Growth of a Rational Approach to Naval Repair Parts Inventories: The Introduction of Military Essentiality. Report submitted to the Navy Graduate Financial Management Program, The George Washington University, January 1962.

[illegible] be supported. [illegible] in the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] supported.

Constitutional protection is the allowance that [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

In spite of the progress made, present shipboard allowance lists are far from perfect and present the Type Commander with certain problems:

1. Revisions and/or review have not been completed in all cases and are, therefore, not current.

2. They are not entirely complete due to lack of stock numbers, quantity, and price for all items and, consequently, it is impossible to obtain a reliable estimate of the total dollar value of the inventory allowed. Without a reliable estimate of allowance dollars, the value of deficiencies cannot accurately be obtained.

3. Usage data on material consumption by equipment application code (system, subsystem and component) is not presently available fleetwide. Consequently, the total cost of a system cannot be ascertained.

The changing "mix" problem

In recent years the mix of ships has changed considerably. In 1962 the number of nuclear, guided missile, and Polaris ships totalled 6.9 per cent of the active fleet. By 1965 that figure had more than doubled as the percentage rose to 14.0 per cent.[1] When these modern complex ships entered the fleet the cost of operating the fleet increased. The increase is due to the costs involved in supporting the new vessels. An illustration of this fact is shown in Figure 16, page 68.

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[1]These figures were provided by Mr. C. M. Bacon, Fleet Operations Division, Bureau of Supplies and Accounts.

In spite of the problems here, general Gulbenkian principles and the [illegible] and reminded the [illegible] with certain problems:

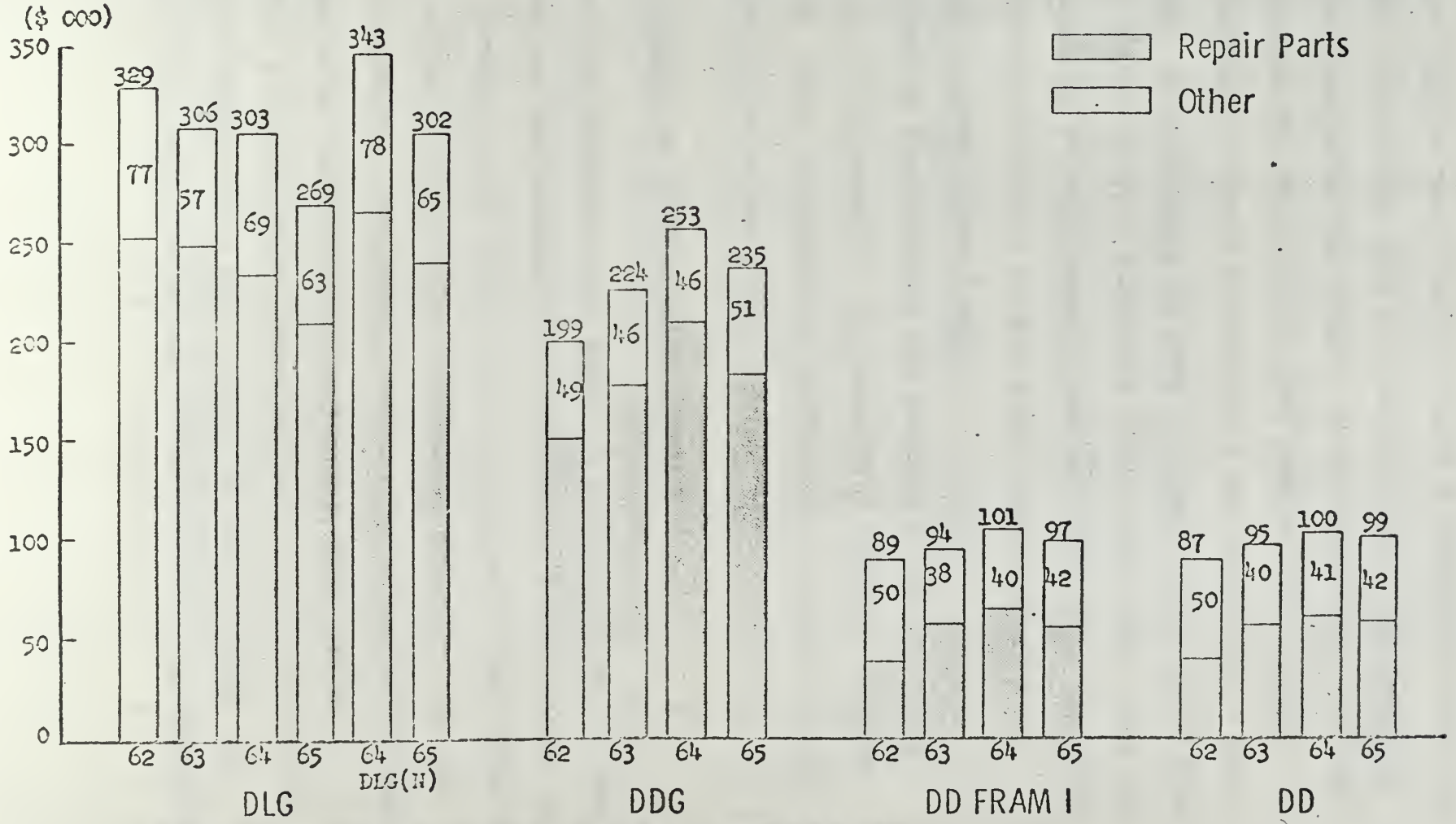
1. Revolutions [illegible] review [illegible] [illegible] to all people and any [illegible], [illegible].

2. They are not actually [illegible] to [illegible] [illegible], [illegible], and [illegible] [illegible]. [illegible], it is [illegible] [illegible] [illegible] [illegible] of the [illegible] alliance. [illegible] a [illegible] [illegible] alliance [illegible], the [illegible] [illegible] [illegible] [illegible] [illegible].

3. [illegible] [illegible] [illegible] [illegible]

FIGURE 16

SUPPLY AND EQUIPAGE FUNDS
ANNUAL EXPENDITURES FOR SELECTED SHIP TYPES[a]
FY 62 FY 63 FY 64 FY 65
COMCRUDESLANT



[a]Source: Chart provided by Staff, COMRUDESLANT.

CCDL 1/15/65

These figures were developed from a three-year study by COMCRUDESLANT. The study does not portray total requirements but only funds available and spent. It is significant to note that expenditures for items other than repair parts remain relatively constant whereas expenditures for repair parts vary substantially. For example, in 1963 a frigate (DLG) spent five times and a guided missile destroyer (DDG) spent four times the amount expended by a conventional destroyer (DD) or a destroyer which had undergone Phase I of the Fleet Rehabilitation and Modernization Program (Fram I DD).

Because of the changing mix pattern it is extremely difficult, if not impossible, to accurately estimate funding requirements. This is especially difficult to do for the new vessels being added to the fleet.

The categorization of expenditures problem

The Type Commander must submit a budget request in which he estimates his requirements for consumables, repair parts, and equipage. However, only three of the six Atlantic Fleet Type Commanders collect this type of information directly. In the past, Type Commanders have had to rely on Inventory and Working Capital Reports as the basis for projecting their needs.

These three problems--imperfections in allowance lists, the influx of modern ships with complex weapons systems, and the inability to categorize expenditures--point up the necessity

These figures were derivated from a three-year study by Consumers Union. The study does not provide data; [illegible] but only trade statistics and theory. It is significant to note that manufacturers for these other than electric parts remain relatively unaware therefore necessitates the really quite very substantially. The economic, in turn a larger [illegible] some two times fewer and a global electric manufacturer (GEM) spent two years in Germany expanded by a commercial manufacturer (CM) or a measure which had undergone three I of the Fiat Rationalization and Modernization Program (Item I 10).

Because of the changing sale patterns it is extremely difficult, if not impossible, to accurately estimate financial requirements. This is necessarily difficult to do for the two year period being added to the Plan.

The reorganization of manufacturer activity

The Fiat Commission had stated a broad policy to which to estimate his requirements for commodities, fixed costs, and employment. However, only there is the [illegible] Fiat type Commission within this type of investment activity. To the most, type Commission also had to rely on Company and Beijing Capital Industry as the basis for preparing their needs.

There these problems—specialization in different lines, the lack of modern value with complex manufacture systems, and the inability to accurate expenditure—point up the necessity

for better financial planning. The lack of proper information to justify stated fleet requirements has been extremely costly at the budget table. A review of the action taken on Supplies and Equipage budget requests shown in the table below (Figure 17) will illustrate.

FIGURE 17

ACTION TAKEN ON S&E BUDGET REQUESTS[a]
($ - Millions)

Fiscal Year	Fleet rqmt.	BuShips Submit	Navy Submit	Congress Submit	Col. 5 as % of Col. 2
1961	$113.6	$ 99.0	$ 98.1	$ 97.5	85.5%
1962	130.0	109.1	94.4	100.0	76.9
1963	147.8	113.9	118.9	110.8	74.9
1964	164.4	142.8	140.3	125.7	76.4
1965	169.1	147.4	135.3*	135.4	80.0
1966	173.0	163.8	163.8	150.4	86.9

*Includes 9.9 Million to cover Navy Stock Account to Appropriations Purchases Account Transfers

[a]Source: Figures provided by Mr. C. M. Bacon, Fleet Operations Division, Bureau of Supplies and Accounts.

For each of the six years shown, the request submitted by the Fleet Commanders was reduced significantly by the Bureau of Ships and the Navy Comptroller before submission to the Bureau of the Budget. Presumably this was done because--lacking usage data by equipment--budget justification tends to

[illegible] Commercial Airlines. The [illegible] of [illegible] Airlines in [illegible] Three Transportation [illegible] been [illegible] [illegible] the [illegible] [illegible]. A review of the [illegible] [illegible] [illegible]

be broad and gross rather than in the detail desired to convince higher budget authority that fleet requirements are valid. This tendency toward reduction within an agency before submission to higher authority is, of course, not an unusual event. Note what Wildavsky says:

> Agencies do not usually request all the money they feel they could profitably use. Most agencies find that they cannot get funds for all the projects authorized by Congress. They also have projects not yet authorized but which they believe desirable. With appropriations always falling short of authorizations and apparent needs, how much of what they would like to get do agencies ask for from the Budget Bureau and Congress? The simplest approach would be to add up the costs of all worthwhile projects and submit the total. This simple addition is not done very often, partly because everyone knows there would not be enough resources to go around. Largely, however, the reason is strategic. If an agency continually submits requests far above what it actually gets, the Budget Bureau and the appropriations committee lose confidence in it and automatically cut large chunks before looking at the budget in detail. It becomes much more difficult to justify even the items with highest priority because no one will trust an agency that repeatedly comes in too high.[1]

Thus it becomes a strategic matter of requesting that amount which the Navy feels certain it can justify. Figure 17, page 70, shows that for fiscal year 1966 the Navy Submit agreed with the Bureau of Ships Submit. This indicates that better budget justification data was provided to support the fleet requirements for fiscal year 1966.

When comparing fleet requirements in fiscal year 1961 and fiscal year 1966, it is interesting to note there has been

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[1]Aaron Wildavsky, The Politics of the Budgetary Process (Boston: Little, Brown and Company, 1964), p. 21.

[illegible]

[illegible]

[illegible]

a 64.8 per cent increase in funds requested. However, the amount eventually submitted to Congress remains at a relatively constant level of 80 per cent of fleet requirements.[1]

The implication here is clear: Fleet Commanders, and, since the basic figures are generated at the next lower level, Type Commanders, must develop a better management information reporting system.

Effect of Insufficient Supplies and Equipage Funds

As demonstrated above, during the past few years the Fleet has received only about 80 per cent of the Supplies and Equipage Funds which it deemed necessary. These funds must finance both day-to-day operational maintenance costs and prescribed levels of inventory. However, since funds are not sufficient for both purposes, operating costs must of necessity have priority over available funds, and the replacement of inventory suffers accordingly. The result of this practice was clearly stated by the Commander in Chief, U. S. Atlantic Fleet:

> The insufficiency of Supply and Equipage funds with which to buy repair parts for inventory afloat has now become critical and will hamper operations even more seriously as current inventory is further eaten down. . . . Readiness of the fleet is being progressively degraded by the growing shortage of repair parts and equipage, and to a lesser degree, consumable material aboard ship. These shortages result from insufficient S&E funds to procure the required

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[1]Derived by averaging the figures in Column 5 of Figure 17, page 70.

inventory to fill allowance and/or meet minimum levels of support established by Fleet Commanders.[1]

This problem, plus several others, was restated at the Bureau of Ships' Supplies and Equipage Funding Conference which was held in August 1964.[2] The conference was attended by representatives from the Bureau of Ships, Bureau of Supplies and Accounts, Navy Comptroller, and Type Commanders of both the Atlantic and Pacific Fleets. The problems cited by the Fleet representatives to the conference may be summarized as follows:

1. Fleet allowance deficiencies grow larger every year and at present are estimated to be 75 million dollars.

2. Ship casualty reports are increasing. About 90 per cent of these reports are for equipments for which repair parts are either not carried (not on allowance) or allowed but not on board.

3. More Supplies and Equipage dollars are needed because:

   a. Support of the new complex weapons systems is more costly.

   b. The policy of fully funding the Fleet Ballistic Missile program reduces funds available for general purpose operation.

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[1]U. S. Department of the Navy, Commander in Chief, U. S. Atlantic Fleet, Letter, serial 2936/41/440, 30 August 1962.

[2]The information in this section was taken from a mimeographed report (obtained from Mr. C. M. Bacon, Fleet Operations Division, Bureau of Supplies and Accounts) entitled: Highlights of BUSHIPS S&E Funding Conference of 19 August 1964 (NAS North Island).

[illegible] in 1977 although [illegible] were [illegible] [illegible] [illegible] [illegible] [illegible].

This article, with [illegible] [illegible], has [illegible] [illegible] [illegible] [illegible]

c. Price increases encountered when replacing equipage and repair parts (attributed to surcharge rate at Inventory Control Points, Defense Supply Agency, General Services Administration).

d. Expanded ship overhaul cycles cause an increase in S&E dollars for tenders and repair ships to perform work between the expanded overhaul cycle.

Summary

In the financial management area, Type Commanders have two basic responsibilities: financial planning and administration of allotted funds. Of these two, the latter is being effectively fulfilled even with the widely divergent methods used by the various Type Commands in the Atlantic Fleet. However, the lack of uniformity in financial management procedures which exists makes it extremely difficult to discharge the responsibility for financial planning.

Financial planning has two aspects--ensuring that limited S&E funds are applied on a priority basis (rather than on a chronological order of their occurrence) and providing qualitative data that can be justified in terms of current Chief of Naval Operations, Department of Defense, and Bureau of the Budget policy. Because of lack of the right kinds of information, it is impossible to accomplish either of these two aspects.

There are three major problems that complicate the Type Commander's financial planning picture:

1. Allowance lists (upon which he must base his requirements) are either incomplete or not current;

2. New weapons systems cost more to operate but insufficient time has elapsed for usage data to permit valid estimates of future requirements;

3. Inability to adequately categorize expenditures as to repair parts, supplies, and consumables makes it difficult to justify his predictions of future requirements.

As a result of these problems--which result in insufficient budget justification data--ships in the various Type Commands continue to be funded at only 80 per cent of their requirements. Because of lack of funds, priority must be given to operating needs at the expense of inventory. Of the three problems outlined above the only problem which the Type Commanders can solve on their own is better categorization of expenditures. Resolution of the other two will require help from Allowance List Preparation Activities and various Bureaus.

Such then is the dilemma of the Type Commander: he is faced with correcting a situation over which he has little control and in the meantime his inventory deficiencies increase. A look at what can be done and/or is being done to alleviate the dilemma is discussed in the next chapter.

There are three major problems that complicate the type Commercial's financial planning picture:

1. Economic life times could be more than the requirements for return investment or tax depreciation;

2. The revenue system does not be designed to identify the allocation of income and expenses to permit entry authorization of income requirements;

3. Inability to consequently accomplish requirements as to result price, supplies, and transportation issues in situations in limiting the availability of future requirements.

As a result of these conditions-which result in Identifiable Indoor Installations data-driven in the various type Commercial facilities to be funded at only 30 per cent of their estimations. Because of lack of funds, priority must be given to operating items at the expense of installations. In the above problems noticed above the only problem which the type Commercial can solve is that the in terms utilization of equipment. Solution of the other two will require help from affiliated and investment institutions and various Commercial.

Not even in the airlines of the type Commercial. He is trying only concerning a separate view point to the limits concern not in the security the industry contributing equipment. A line of what can be done earlier is trying some to situations the airlines are concerned in the most stupid.

CHAPTER IV

MODIFICATION OF THE PRESENT SYSTEM

The preceding chapter focused attention upon the critical situation which faces the Fleet--the need for improved procedures for reporting consumption of shipboard material which will permit strong enough budget justification to obtain the funds required. The essential problem is this: present Type Commanders' procedures do not provide uniform data (either in format or substance) which is adequate to justify Fleet budget submissions for S&E funds. This problem was recognized by the Chief of Naval Operations in 1963. The result has been to create a long-range program and an interim program which will alleviate the situation. The long-range plan is based on a program called the "Standard Navy Maintenance Management System."[1] This program is known throughout the Navy, and will be referred to hereafter, as the 3-M system.

The other part of the plan is a data collection system[2] which will be the important corollary of the 3-M system.

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[1]U. S. Department of the Navy, OPNAV Instruction 4700.16A, 1 August 1963.

[2]U. S. Department of the Navy, Chief of Naval Operations, Letter, serial 1609P43, Subj: Material Supply Management System Procedures in Support of the Standard Navy Maintenance and Material Management Program, 12 August 1963.

Since the long-range plan is to be phased over a period of three years, it cannot make a significant contribution before the fiscal year 1969 budget is being presented. Therefore, the interim program will be discussed first, followed by a discussion of the long-range plan.

Interim Procedure

Recognizing an immediate need for better budget justification information, the Chief of Naval Operations has issued an instruction entitled "Interim Active Fleet Supplies and Equipage Budget Backup Reporting Procedure."[1] In establishing the effective date of 1 July 1965, the instruction states that "the urgency of developing auditable backup data to justify S&E budget requests makes it necessary that an interim data collection procedure, compatible with the 3-M program, be implemented in FY 66."[2]

Shipboard requirements

Implementation of the interim procedures will require all ships to submit a monthly report to the Type Commander. This report will consist of an addendum to the monthly Obligation and Expenditure Report presently required by NAVCOMPT 8. The format for the addendum will be shown in Figure 18, page 78.

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[1]U. S. Department of the Navy, OPNAV Instruction 7330.2, 3 March 1965.

[2]Ibid.

Since the long-range plan is to be spaced over a period of three years, it cannot make a significant contribution before the fiscal year 1969 budget is being prepared. Therefore, the interim program will be discussed first, followed by a discussion of the long-range plan.

Interim Procedure

Corresponding to immediate need for better budget justification information, the Chief of Naval Operations has issued an instruction entitled "Interim Inflow Sized Supplies and Equipage Budget Review Reporting Procedure."[1] In establishing the effective date of 1 July 1968, the instruction makes plan "the accuracy of developing multiple factors data to justify the budget provide means to accomplish that no interim data multiplication procedures, compatible with the 2nd program, be implemented in FY 69."[2]

Thickened Requirements

Consolidation of the interim procedures will require all costs to submit a monthly report to the Type Commander. This report will consist of an attachment to the monthly obligation and expenditure report currently required by [illegible]. The format for the outcome will be shown in Figure 14, page 79.

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[1] [illegible], Department of the Navy, [illegible], 2 March 1969.

[2] [illegible].

FIGURE 18

ADDENDUM TO MONTHLY OBLIGATION AND EXPENDITURE REPORT[a]

U.S.S._____S&E Operating Statement for the month of _____

	Controlled Equipage & Equipment Replacement	Repair Parts	Consumables and Services	Total
1. Chargeable Material Deficient				
2. Chargeable Material Consumed				
3. Obligations Incurred				

[a]Source: Appendix A to OPNAV Instruction 7330.2, 3 March 1965.

Type Commanders have been directed to issue implementing directives or modify existing directives in order to accomplish the requirements established by the Chief of Naval Operations. In most cases this will require modification of the Operating Target Record so that the information can be collected directly as obligations are posted. In addition, those Type Commands which do not utilize an Equipage Replacement Plan (such as presently employed by COMCRUDESLANT and COMNAVAIRLANT) will have to implement a similar plan. For the present, ships will have to continue to use the dollar value of allowance lists (although,

[illegible] 14

[illegible] TO MOTION PICTURE [illegible] AND [illegible] SUMMARY

[illegible] [illegible] [illegible] [

as discussed previously, this does not represent an exact picture of needs) as the basis for determining the amount of chargeable material deficient. The new procedures will entail a slight increase in paper work for some ships but this will be offset by the elimination of the Annual Inventory Report and Inventory and Working Capital Report which are directed in the OPNAV instruction.

Type Command requirements

Based on the monthly reports from its ships, each Type Command will submit a quarterly report to the Bureau of Ships. The format for these reports will be as shown in Figure 19, pages 80 and 81. Preparation of Part II of the quarterly report will be facilitated by another aspect of the OPNAV instruction which governs the transfer of items between the Navy Stock Account and the Appropriation Purchases Account. Lists of such items must be published sixty days in advance and only one listing will be issued each fiscal year.

Long-Range Plan

The basic objective of the 3-M system, as set forth in OPNAV Instruction 4700.16A, is:

> . . . the improvement of the material readiness of the fleet through improved management and material functions. The goal which this plan seeks to achieve, by January 1966, is an improved, measurable state of readiness of the operating forces of the Navy with a significant increase in the efficient management of the Navy's maintenance and material resources.[1]

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[1]U. S. Department of the Navy, OPNAV Instruction 4700.16A, 1 August 1963, enclosure (1), p. 1.

as discussed previously, this does not represent an exact picture of model as the basis for determining the amount of [illegible] material deficient. The [illegible] will [illegible] a slight increase in [illegible] but this will be offset by the elimination of the annual inventory report and [illegible] and Working Capital Report which are directed in the [illegible] instruction.

Type Command Requirements

Based on the monthly reports from its ships, each Type Command will submit a quarterly report to the Bureau of Ships. The format for these reports will be as shown in Figure 18, pages 80 and 81. Preparation of Part II of the quarterly report will be facilitated by [illegible] of the [illegible] instruction which governs the transfer of items between the Navy Stock Account and the Appropriation Purchases Account. Lists of [illegible] must be published [illegible] and only one listing will be issued each fiscal year.

Long-Range Plan

The [illegible] of the [illegible] system, as set forth in [illegible] Instruction [illegible], is:

. . . . The improvement of the material requirement of the fleet through improved management and material functions. The [illegible] which this plan [illegible], by January 1947, is [illegible], measurable [illegible] of [illegible] of the operating forces of the Navy with a significant increase in the efficiency management of the Navy's [illegible] and material resources.[1]

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[1] U. S. Department of the Navy, [illegible] Instruction [illegible], 1 August 1950, [illegible], p. 1.

FIGURE 19

QUARTERLY OPERATING STATEMENT[a]

From: (Type Commander)
To: (Fleet Commander in Chief)

Subj: Cumulative FY_____ S&E Operating Statement for the quarter ending _____

PART I

Ship Type & Class	No. of Ships	Equipment & Controlled Equipage			Repair Parts		Consumables	
		OBL	Deficient	Consumed	OBL	Consumed	OBL	Consumed
Note 1		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2

Note 1 - Use same ship classification as used in budget submission.

Note 2 - Report total values for each category within the ship type and class.

Note 3 - Narrative statements submitted by individual ships may be consolidated and submitted by ship type and class.

Copy to:
BUSHIPS (Code 518)

[a]Source: OPNAV Instruction 7330.2, Appendix B

FIGURE 19 (continued)

PART II

	Obligations
Ship Costs (OPTAR)	_____
Flags and Commands	_____
Tender Availabilities (ROV)	_____
Service Craft and Docks	_____
Special Projects & Operations	_____
Total	_____
Credits to S&E Allotment	_____
APA to NSA migrations	_____
Deficiencies satisfied due to NSA to APA migration	_____

Explanatory information is reported on an "as occuring" basis, in accordance with the requirements of this Instruction, to describe the extent to which material migration between NSA and APA will affect supplies and equipage dollar requirements. Receipt of a tailored listing of NSA to APA or APA to NSA migrations will provide a means for determining the value of APA material ordered to fill allowance deficiencies for specified major stores account transfers and the annual consumption rate of material transferred.

The Chief of Naval Operations, in amplifying the 3-M instruction, directed the Bureau of Supplies and Accounts to take the lead in developing uniform supply, accounting, and budgetary systems which will be responsive to the maintenance and material/supply management needs of the various command levels of the Operating Forces. Accordingly, the Bureau of Supplies and Accounts drafted a proposed system and sent it to the two Service Force Commanders for comment.[1] Upon receipt of these comments, representatives of the material bureaus and the Navy Comptroller met to evaluate the comments and revise the proposed system. Following this revision, representatives of the Bureaus, Fleet Commanders, and Type Commanders met in Norfolk to develop operating procedures, document formats, flow diagrams, and illustrations. Although this element of the plan has not been completed as of the time of this writing (March 1965), it is understood that the system design will be similar to that which is described in the following pages.[2] At any rate, the proposed system indicates the direction of change which the author believes is necessary.

The system will use the single document concept of source data input to provide information needed to support the 3-M

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[1]U. S. Department of the Navy, Bureau of Supplies and Accounts Letter S33.1, 19 October 1964, subj: Proposed supply, accounting, and budgetary systems in support of the intermediate and organizational levels of maintenance afloat; request for comments on.

[2]The explanation which follows is based on the system designed by COMSERVLANT and forwarded to the Bureau of Supplies and Accounts as enclosure (2) to COMSERVLANT Letter code 82:jac 4000, serial 7314 of 8 December 1964.

The Chief of Naval Operations, in implicating the Sub Instructions, directed the Bureau of Supplies and Accounts to take the lead in developing uniform supply, accounting, and budgetary systems which will be responsive to the peculiarities and individuality management needs of the various command levels of the Operating Forces. Accordingly, the Bureau of Supplies and Accounts drafted a proposed system and sent it to the Commercial Naval Commanders for comment.[1] Upon receipt of these comments, representatives of the Material Bureaus and the Navy Construction sent to visitors the comments and review the proposed system. Following this revision, representatives of the Bureaus, Fleet Commanders, and Fleet Commanders sent to Bureaus as serving operating principles, Economic Forces, Fleet Diagrams, and Illustrations. Although this account of the plan has not been completed as of the time of this writing (March 1946), it is understood that the system design will be limited to that which is described in the following pages.[2] At any rate, the proposed system indicates the direction of change which the Bureau believes is necessary.

The system will use the basic document concept of approximate input to provide information needed to support the 1-4

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[1] U. S. Department of the Navy, Bureau of Supplies and Accounts Letter SC.1, 15 October 1946, Sub: Proposed supply, accounting, and accounting systems in support of the Intermediate and Organizational Forces of Maintenance Officers, request for comments on.

[2] The Information Sheet Letters is based on the system designed by COMMERCIALLY and responded to the review of Supplies and Accounts in Washington (1) to COMMERCIALLY letter code 15 Jan 1946, Serial 7814 of 5 December 1946.

system and will also provide the information required for budgetary purposes. It, therefore, incorporates material management, accounting, budgeting, and evaluation requirements into a single viable system.

Overall system plan[1]

Essentially, the system would work like this:

1. Ships would prepare requisition, issue, and maintenance action documents on a daily basis.

2. Requisitions would be forwarded to supply activities and copies of requisitions would be sent to the appropriate Navy Regional Finance Center (NRFC)/Fleet Aviation Accounting Office (FAAO).

3. When material was issued, the supply activity would send an invoice to the Navy Regional Finance Center where it would be compared with the requisition from the ship (if a difference exists, an exception listing would go to the ship for verification).

4. Consumption data (issue and maintenance action documents) would be sent to the Type Commander Data Processing Center (TCDPC).

5. From the consumption data (from ships) and obligation data (from NRFC) the Type Commander Data Processing Center would prepare reports for the Type Commander and the Maintenance Data Collection Center (MDCC).

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[1]See Figure 20, page 84.

system and will also provide the information required for budgetary purposes. It, therefore, incorporates material management, accounting, budgeting, and evaluation requirements into a single stable system.

General system plan[1]

Essentially, the system would work like this:

1. Ships would prepare requisitions, issues, and maintenance action documents as a daily basis.

2. Requisitions would be forwarded to supply activities and copies of requisitions would be sent to the appropriate Navy Regional Finance Center (NRFC)/First Aviation Accounting Office (FAAO).

3. Once material was issued, the supply activity would send an invoice to the Navy Regional Finance Center where it would be compared with the requisition from the ship (if a difference exists, an exception listing would go to the ship for verification).

4. Consumption data (issue and maintenance action documents) would be sent to the Type Commander Data Processing Center (TCDPC).

5. From the consumption data (from ships) and obligation data (from NRFC) the Type Commander Data Processing Center would prepare reports for the Type Commander and the Maintenance Data Restoration Center (MDCC).

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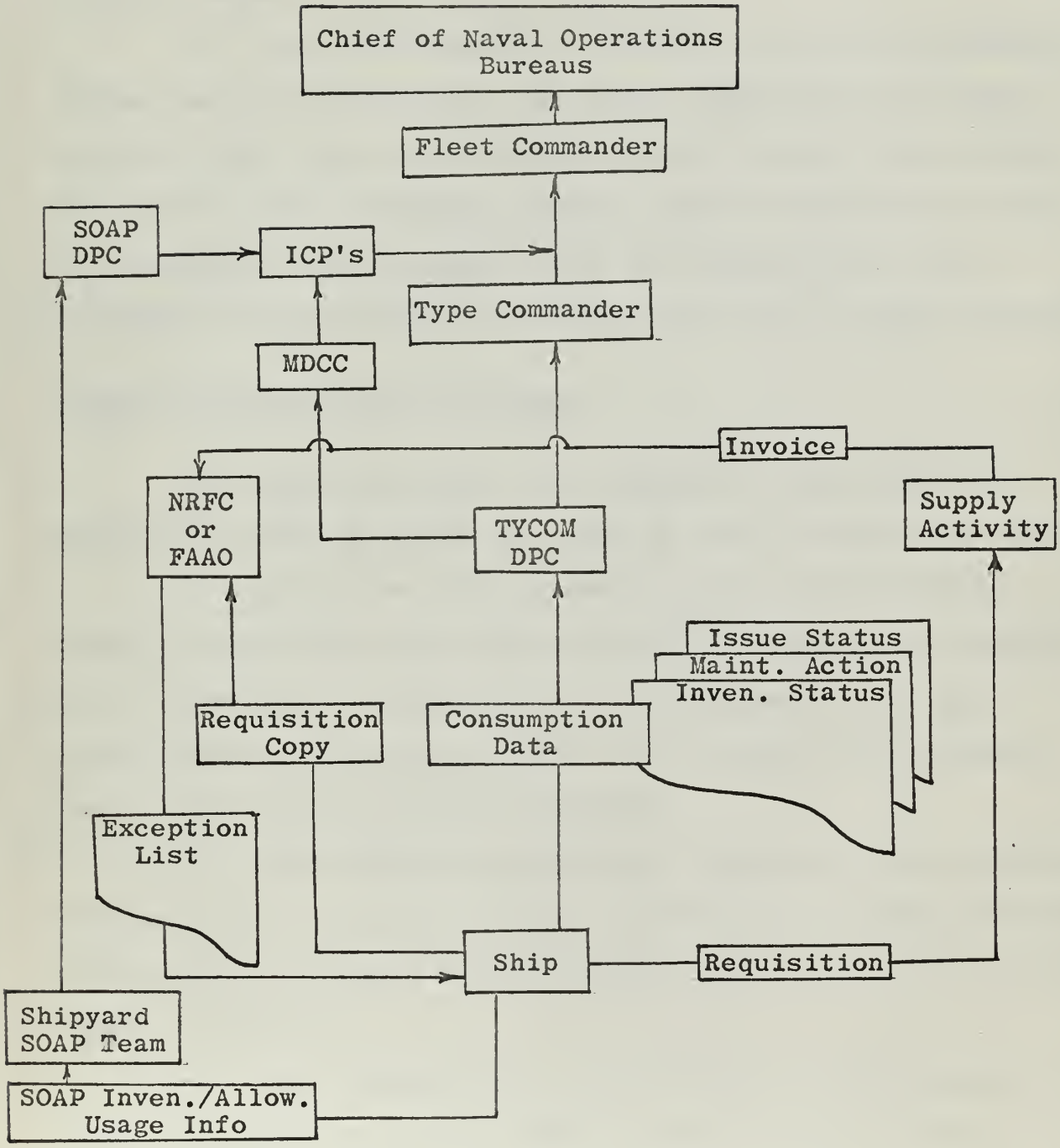
[1] See Figure 3B, page [illegible]

FIGURE 20

OVERALL SYSTEM DESIGN[a]



[a]Source: Proposal submitted by COMSERVLANT

6. The Type Commander will use this information as the basis of reports to the Fleet Commander.

7. From the inventory, allowance, usage data generated during supply availability, the Supply Operations Assistance Program (SOAP) team at the shipyard would produce information for the SOAP Data Processing Center, which would forward it to the Inventory Control Points (ICP) for incorporation into allowance lists and for information needed by the Fleet Commander.

Budget portion of the new system

The proposed system with respect to budgeting would operate as shown in Figure 21, page 86, and as described below:

1. Obligation information from the Navy Regional Finance Center/Fleet Aviation Accounting Office and consumption information from the ship would be mechanized by the Type Commander Data Processing Center and forwarded as summarized ship budget data to the Type Commander.

2. From detailed maintenance information from the Type Commander Data Processing Center, the Maintenance Data Collection Center would feed back weapons-systems cost data to the various levels of review.

3. From repair-parts data collected during supply overhaul, Inventory Control Points would furnish the Type Commander with the financial status of repair parts for use with other inventory intelligence in annual budget submissions and midyear reviews.

6. The Type Commander will use data information in the basis of reports to the Fleet Commander.

7. From the inventory, allowance, usage data presented during supply availability, the Supply Operations Assistance Program (SOAP) type at the shipyard basis produce information for the Fleet Data Processing Center, which would forward it to the Inventory Control Points (ICP) for interpretation into allowance lists and for information needed by the Fleet Commander.

Support Portion of the new system

The proposed system with respect to computing would operate as shown in Figure 23, page 49, and be described below.

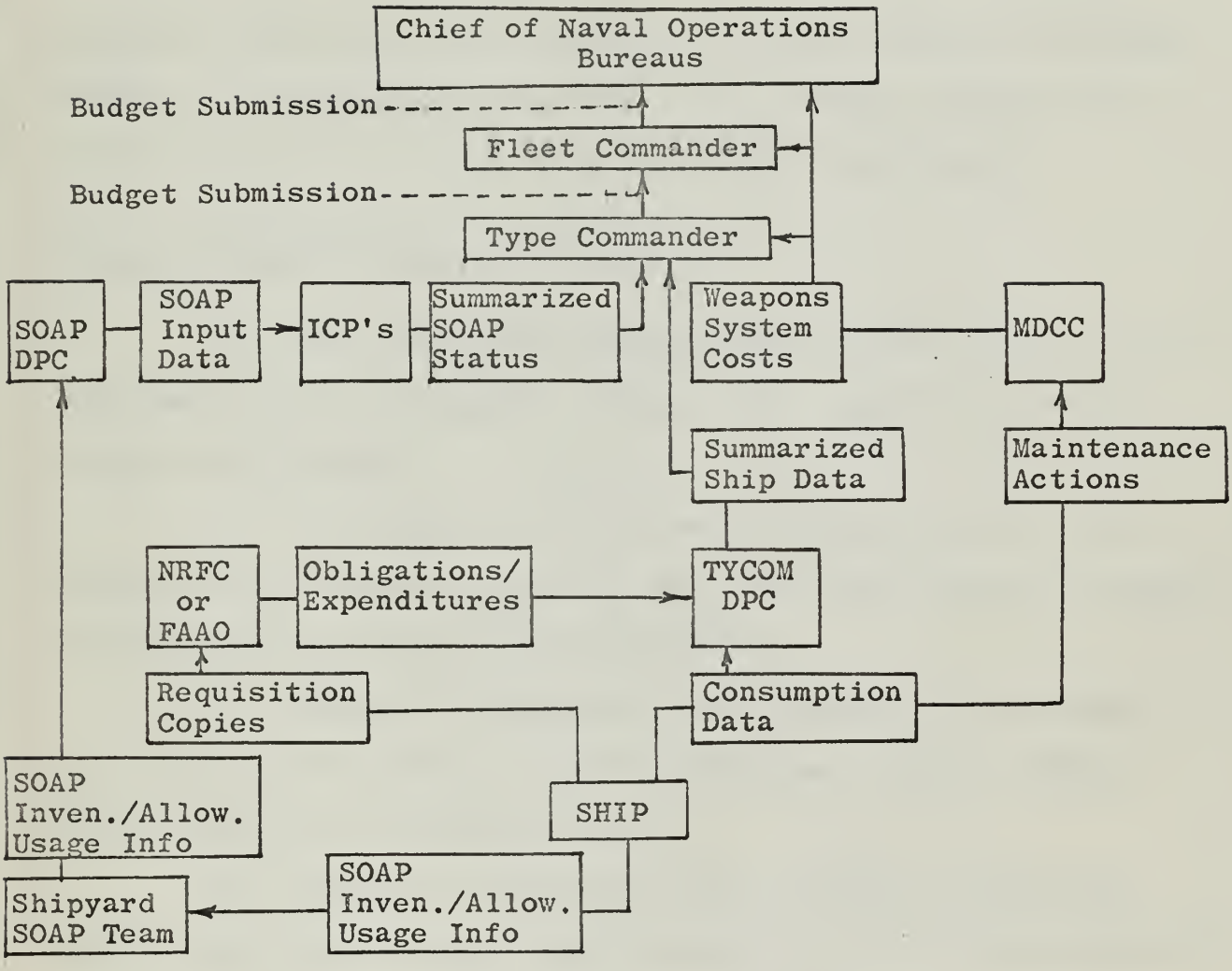
1. Obligation information from the Navy Regional Planning Center/Fleet Relation Accounting Office and Consumption information from the ship, would be accumulated by the Type Commander Data Processing Center and forwarded as comparison ship budget data to the Type Commander.

2. From detailed maintenance information from the Type Commander Data Processing Center, the Maintenance Data Collection Center would send data summary-driven cost data to the business levels of review.

3. From repeat-parts data collected during supply overhaul, inventory control points would furnish the Type Commander with the financial status of repair parts for use with other inventory intelligence in budget budget submissions and mid-year reviews.

FIGURE 21

BUDGET SYSTEM[a]



[a]Source: Proposal by COMSERVLANT

4. Thus, the Type Commander would be using a synthesis of Navy Regional Finance Center, Fleet Aviation Accounting Office, Maintenance Data Collection Center, Inventory Control Points, and summarized ship data to be further analyzed and summarized at each level of review (Fleet and Bureau).

Fund accounting under the new system

The Fund Accounting System which will be a part of the proposed system is depicted in Figure 22, page 88, and would operate as follows:

1. The original of each requisition will go to the Supply Activity and a copy will go to the Navy Regional Finance Center/Fleet Aviation Accounting Office.

2. Financial charges will be prepared by the Supply Activity and forwarded to the Navy Regional Finance Center/ Fleet Aviation Accounting Office.

3. Only when differences exist between requisition prices and invoice prices will the ship be further involved in financial accounting (an exception list will be sent for reconciliation).

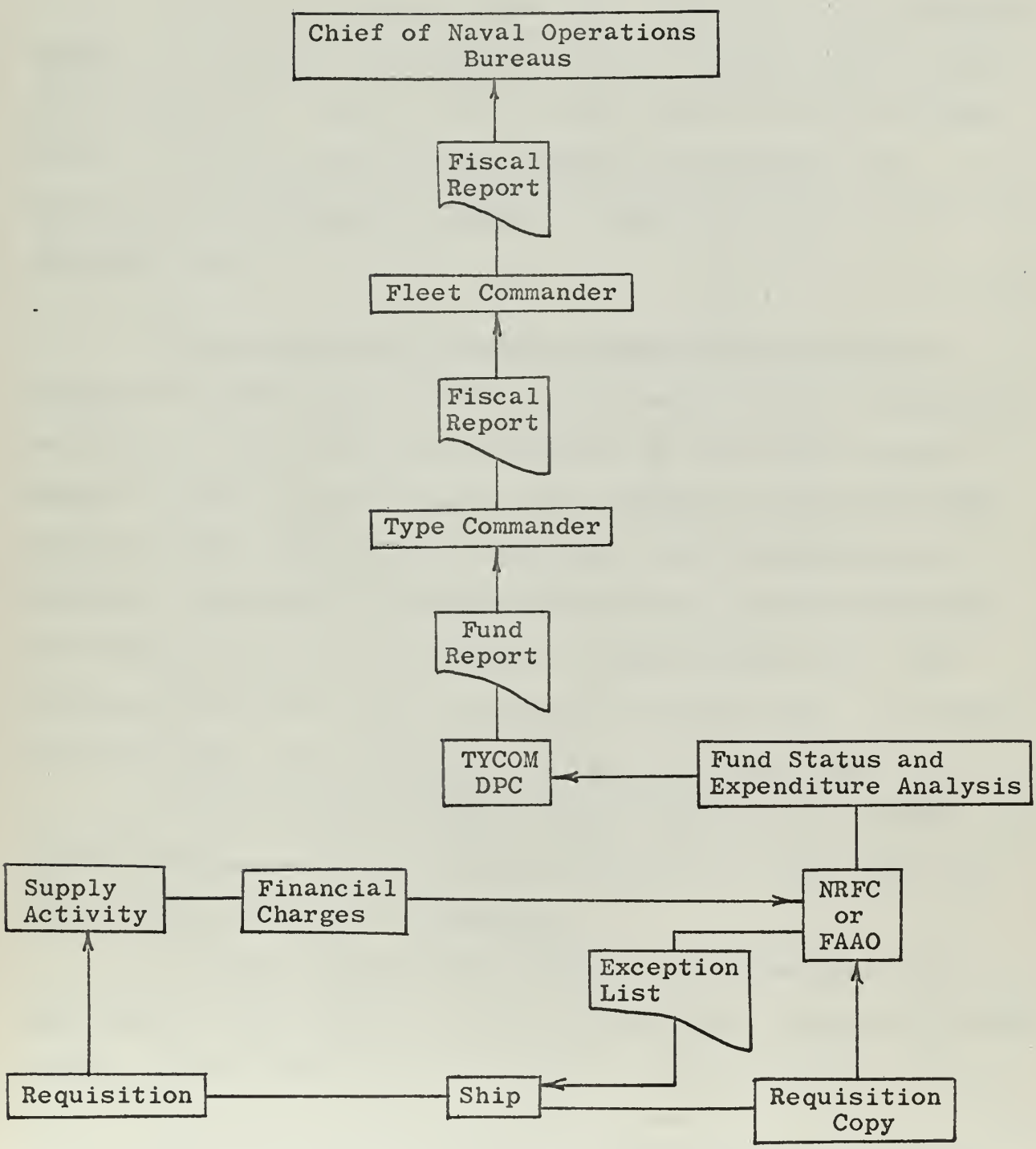
4. The Navy Regional Finance Center/Fleet Aviation Accounting Office will prepare a Fund Status and Expenditure Analysis for the Type Commander Data Processing Center which will prepare a Fund Report for the Type Commander.

5. The Type Commander will then prepare his report for higher authority.

[illegible] Then, the Tree Commission could be asked to assist a workshop of Boy Scouts of Tennessee Center, Inc. [illegible] [illegible], [illegible] [illegible] [illegible]. Thereby [illegible] [illegible], the [illegible] [illegible] [illegible]

FIGURE 22

FUND ACCOUNTING SYSTEM[a]



[a]Source: Proposal by COMSERVLANT

Other significant changes

A complete listing of the major features of the proposed supply, accounting, and budgetary support systems will be found in the appendix. However, two of them (Revision of the Afloat Bureau of Supplies and Accounts Manuals and Extension of Selected Item Management) appear of significant merit to be discussed here.

Revision of afloat Bureau of Supplies and Accounts manuals.--Recognizing that the current organization, composition, and manner of presentation of material in the Afloat BUSANDA Manual (Volumes III and VIII) is not directed toward effective use by supply personnel who often have little experience and training, the Bureau of Supplies and Accounts contracted with Harbridge House, Inc., to conduct a study in this area. The results of the study were published in October 1964.[1] From the research effort the following findings were established:

1. The Afloat Volumes (III and VIII) of the BUSANDA manual contain out-of-date information and are rarely used by afloat supply department personnel.

2. While instructions, notices, and directives are published by Fleet Commanders, Type Commanders, Inventory Control Points, other bureaus, and so forth, and issued directly to the

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[1]Supply Policy and Procedures for the Operating Forces of the Navy, A Report Prepared for the Department of the Navy (Boston: Harbridge House, Inc., 1964).

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2. While instructions, notices, and directives are published by Fleet Commanders, Type Commanders, Inventory Control Points, other Bureaus, and by Chiefs, and issued directly to the

---

[1] Supply Policy and Procedures for the Operating Forces of the Navy, a Report Received for the Department of the Navy (Contract Hazelwood Bureau, Inc., 1961).

fleet, Type Commander instructions are used most frequently and have the greatest impact on supply operations afloat.

3. Those portions of the manual that are current are written such that the user has difficulty understanding the procedures.

4. The present cumulative supplement method of revising the manual is unsatisfactory.

5. The substantial time interval between recognition of the need for a manual revision and actual change must be compressed if the manual is to be an effective operating tool.

Based on these findings, the BUSANDA Volumes III and VIII are being completely rewritten in the format suggested in the sixty-five page Harbridge House study (incidentally, this format is also to be used in the manual which will contain the procedures for the proposed supply, accounting, and budgetary system).

Selected Item Management (SIM)[1].--In recent years the number of stock number changes, price changes, cognizance symbol changes, etc., have been increasing at such a rapid rate that the fleet is unable to keep pace with the workload. Considerable effort is being directed toward reducing the volume of workload and one of the tools which offers the most promise is "Selected Item Management."

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[1]Much of the information in this section is taken from enclosure (2) to the Bureau of Supplies and Accounts Letter S33.1 of 19 October 1964 referenced earlier.

time, time-consuming interviews are used but frequently not have the creative impact on supply operations [illegible].

2. Time pressures of the market also not overpaid are waiting much that the more has difficulty understanding its procedures.

4. The general unreliable supplement method of varying the model is unsatisfactory.

5. The noticeable time interval between inception to the need for a manual revision and actual change must be shortened if the manual is to be an effective operating tool.

Based on these findings, the studies Fairmon III and III are having effectively resulted in the Center accepting the minimum data definition phase slowly finalization, this formed by also to be so much in the manual which will monitor the performance for the primary supply, accounting, and engineering [illegible].

Selected Time Management (STM)[1]--is concern power the [illegible] of which another change, price [illegible], requirements [illegible] etc., were most information at such a which [illegible] that the time is [illegible] to [illegible] the [illegible]. Immediately effect is being directed towards reducing the volume of [illegible] and not if are [illegible] where the most [illegible] is "Selected Time Management".

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[1]Note: In the information in this section is taken from [illegible] Center [illegible] Supplies and Material Inventory [illegible] of [illegible] [illegible] [illegible].

Recent studies by Type Commanders have revealed that generally about 15 per cent of a ship's inventory will experience a demand during an overhaul-to-overhaul cycle. During the same period, only about 4 per cent of the inventory experiences more than two demands. These facts, plus the need to reduce the afloat workload and improve supply effectiveness, were the basis for the decision that Selected Item Management will become mandatory for all type commands.

Selected Item Management (SIM)--developed by COMCRUDESLANT and in use there since 1963--is a management technique under which afloat inventory records are segregated according to their velocity or frequency of demand. Those items within the 4 per cent of the inventory which move three or more times during an overhaul-to-overhaul cycle are designated "Selected Items;" the remainder are "Non-Selected Items." Selected items are given close and continuous attention with records maintained on a current basis (updated as stock number or price changes occur) whereas the records for non-selected items are updated only when a supply action takes place.

The result is a tremendous saving in clerical effort. For example, the study in COMCRUDESLANT shows that on a destroyer having 14,000 line items, only about 250 are in the "selected" category and must be maintained on a current basis.[1]

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[1]Lieutenant Allen J. Lenz, Supply Corps, U. S. Navy, "Atlantic Destroyers Go 'SIM,'" Bureau of Supplies and Accounts NEWSLETTER, March 1962, p. 23.

[illegible]

[illegible] assessment as the type measure [illegible] will more indicate a disciplinary change. Once of the "national" [illegible] of [illegible] planning will become mandatory (e.g., use [illegible] for [illegible], [illegible], [illegible] [illegible] [illegible], [illegible] [illegible] to [illegible], [illegible]).

In a [illegible] of [illegible] [illegible], the [illegible] [illegible] [illegible] in [illegible] [illegible] [illegible]

CHAPTER V

SUMMARY AND CONCLUSIONS

Summary

The present financial management system employed by Type Commanders is the result of changes in the stock fund and consumer fund area which date back to 1957. Because of an increasing number of items being transferred from the Appropriation Purchases Account to the Navy Stock Account, a heavy strain is placed on the Supplies and Equipage funds provided for the procurement of these items. Since 1957, Type Commanders have been issuing operating targets to ships under their command to pay for Supplies, Equipage, and Repair Parts. In the absence of a Navy-wide system, Type Commanders developed allotment accounting systems which seemed to meet their needs. The practice has been one of giving all ships of the same class the same quarterly ceiling. This "level funding" concept does not allow for the individual differences between ships and has been a contributing factor to the inventory deficiencies existing between ships of the same type.

With the introduction of NAVCOMPT 8 in 1961, an attempt was made to standardize somewhat the allotment (operating target)

accounting in the fleet. However, the language of the new manual was such that, except for broad guidelines, Type Commanders were left to develop their own systems. As a result, in the Atlantic Fleet there are six Type Commands and six different financial management systems.

If there were no shortage of Supplies and Equipage funds, the widely divergent systems which exist would offer no major problem. But the fleet is being funded at only about 80 per cent of its requirements. One of the major factors is that, as now constructed, financial management procedures are inadequate to provide the reliable backup data needed at budget hearings to justify the Navy's requirements for needed Supplies and Equipage funds.

There are presently underway two significant programs which will help to relieve the funding deficiencies in the Supplies and Equipage area. One is an "interim procedure" which will produce data on usage broken down as to equipage, repair parts, consumables; the other is a supply, accounting, and budgetary system in support of the 3-M system. Both of these programs will produce greater standardization of financial management procedures than has been the case previously.

Conclusions

In view of the research conducted for this paper and based on the information presented herein, the following conclusions have been reached:

accounting in the fleet. However, the language of the two manual was such that, except for broad guidelines, Type Commanders were left to develop their own systems. As a result, in the Atlantic Fleet there are six Type Commands and six different financial management systems.

If there were no shortage of Supplies and Equipage funds, the widely divergent systems which exist would offer no major problem. But the fleet is being funded at only about 80 per cent of its requirements. One of the major factors in that, as we constructed, financial management procedures are inadequate to provide the reliable backup data needed at budget hearings to justify the Navy's requirements for Special Supplies and Equipage funds.

There are presently underway two significant programs which will help to relieve the fleeting deficiencies in the Supplies and Equipage fund. One is an "interim procedure" which will produce data on usage hours down to equipage, repair parts, consumables; the other is a supply, accounting, and budgetary system in support of the 3-C system. Both of these programs will produce greater standardization of financial management procedures than has been the case previously.

Conclusions

In view of the resources examined for this paper and based on the information presented herein, the following conclusions may be reached:

1. The financial management procedures of Type Commanders in the Atlantic Fleet vary greatly with respect to records kept, reports required, and the degree of guidance provided to ships under their command.

2. The financial management procedures presently do not fulfill the Type Commanders' needs, primarily with respect to the lack of substantive budget justification data.

3. Part of the problem of budget justification is caused by forces beyond the control of the Type Commander (e.g., incomplete and out-of-date allowance lists).

4. A greater degree of uniformity of procedures is required and some will be implemented beginning 1 July 1965.

Several programs are being instituted which will help to alleviate the Supplies and Equipage funding situation afloat. In addition to what is already being done, the following suggestions are also offered for consideration:

1. Expand the Navy Stock Account to Appropriation Purchases Account Transfer Program. This program--which provides for the transfer of high cost, insurance, and safety-of-personnel items from the Navy Stock Account to Appropriation Purchases Account--has had a good beginning, but additional study will reveal many additional high cost items which should be transferred to the Appropriation Purchases Account.

2. Accelerate the up-dating and pricing-out of allowance lists. In order to obtain a true picture of fleet deficiencies,

1. The financial management government of Tyne Commission in the Atlantic Ocean very greatly with respect to income-earn, monetary resources, and the degree of guidance provided to enhance their capacity.

2. The financial management procedures already do not fulfill the Tyne Commission needs, primarily with respect to the lack of mechanisms to fact institutions.

3. Part of the problem in budget justification is caused by factors beyond the control of the Tyne Commission i.e., temporary and ad-hoc-nature allocation funds.

4. A greater degree of reliability of procedures is required and some will be implemented beginning 1 July 1990.

Several programs are being undertaken which will help to alleviate the problems and improve financial management. In addition to what is above is already being done, the following measures are also planned for consideration:

1. Ensure the Tyne Commission is operating within budgets based transfer images. This program which provides for the training of high-level, lower-level, and middle-of-management, since the Tyne Commission Commission is lacking a good leadership, the additional staff will result many additional skills that have been which should be transferred to the Indonesian Tyne Commission Officers.

2. Institute the in-house use of private-sector of accounting firm. In order to obtain a more stable in fact activities.

this is a most critical area since the Fleet's requirements are based on the value of allowance lists. Although the 3-M system will be of considerable assistance in time, a crash program could be undertaken which will permit better budget justification for the years before 3-M takes effect in fiscal year 1969.

3. Institute the "Shortage and Valuable Excesses" (SAVE) Program on a Navy-wide basis. This program, begun by COMCRUDESLANT in 1963, provides for redistribution and balancing of assets throughout the ships in DESLANT. Extension to a Navy-wide basis would be a significant step in reducing many of the inventory deficiencies.

4. Fund repair parts out of the Type Commander's allotment but issue operating targets only for consumable and equipage items. This removes the highly unpredictable items from shipboard budgeting consideration. COMCRUDESLANT has proved this practice can be effectively administered provided a rigid control over procurement procedures is implemented as a part of the program.

5. Require greater uniformity in financial management procedures. Because of the need for more uniform data, there is a requirement for greater standardization in the records kept and reports submitted by Type Commanders. This could be accomplished either through revision of the Navy Comptroller Manual, Volume 8, or through issuance of a publication by the Chief of Naval Operations. Under the special responsibilities

recently assigned to the Deputy Comptroller of the Navy by General Order 5, the Chief of Naval Operations publication would appear to be the proper choice. The new procedures would reduce the flexibility presently enjoyed by Type Commanders. However, if the new system will provide the means by which increased readiness can be achieved, uniformity is a small price to pay.

APPENDIX

MAJOR FEATURES OF THE PROPOSED SUPPLY, ACCOUNTING AND BUDGETARY SUPPORT SYSTEM[1]

1. Improved responsiveness to the maintenance effort through the establishment of a service organization entitled the Supply Support Center (SSC).

2. Improvement of the material identification function through the establishment of a centrally located technical library; improved maintenance of publications; and expanded training in the use of material identification publications.

3. Revision of the Afloat BUSANDA Manuals, Volumes III and VIII, to provide a more effective management tool for use by supply personnel. In this connection, and to the extent practicable, it is desired that all related systems and procedures be arranged in a single, comprehensive publication, for use within the Operating Forces.

4. Expansion of the use of the Consolidated Military Standard Requisitioning and Issue Procedures Requisition between manual ships and shore stations.

5. Improvement in the receipt process to insure that material received on board is moved promptly to the correct storage locations and documents are posted in a timely fashion.

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[1]U. S. Department of the Navy, Bureau of Supplies and Accounts letter S33.1 of 19 October 1964, enclosure (1) pp. 4-7.

6. Expansion of the centralized storage of selected items concept which will facilitate the issue of the majority of fast moving items from one storage location.

7. Expansion of the practice of positioning material, e.g., lumber, sheet metal, typewriter, optical parts, in the custody of other than the supply department. This practice will make material more readily available to users, reduce issue paperwork, and will save manhours which would normally be consumed in obtaining these materials from normal supply department storage locations.

8. Improved material locator records and cross-reference listing and a validation procedure to insure prompt response to the maintenance material requirements.

9. Elimination of the requirement for authorizing signatures on requisitions for material. The use of authorization cards, charge plates, or lists of personnel authorized to draw material to facilitate and expedite the issue process.

10. Full expansion of the use of pre-expended bins in the maintenance operation.

11. Establishment of "Sea-Mart Self-Service Stores" afloat with the resultant reduction in issue processing time and paperwork. Items to be offered via this retail outlet will include fast moving office supplies, housekeeping items, and forms and publications.

12. Establishment of pools of repairable components.

13. Post-posting of receipts and expenditures where practicable.

14. Expansion of the centrally located item history data file which will enable the Navy to state precisely, the afloat inventory position of any ship in the fleet at the time of its last SOAP.

15. Extension of the Selected Item Management (SIM) concept to all ships.

16. Collection of material usage and cost data identified to a specific maintenance action.

17. Collection of material usage and cost data identified to a specific CID/APL/AEL/AN with a resultant capability for updating and/or improving allowance lists.

18. Improved material management afloat through the development of source codes for use by supply and maintenance personnel.

19. Adoption of a physical inventory program afloat which is based on the issue velocity concept. Only items which have a specified frequency of issue and which have not been inventoried during the prior six months period will be selected for physical inventory. Slow moving items will be subject to a perpetual inventory upon issue or will be inventoried at the time of SOAP or overhaul.

20. A more precise method for computing fleet funding requirements based on the value of a ship's requirements compared to the value of the on board inventory at any given time.

[illegible] of vehicle and equipment [illegible] [illegible].

[illegible] of the [illegible] [illegible] [illegible] area fire [illegible] will [illegible] the [illegible] to [illegible] [illegible]. The [illegible] [illegible] [illegible] of [illegible] [illegible] in the [illegible] of [illegible] [illegible] of the [illegible] [illegible].

[illegible] of [illegible] [illegible] [illegible]

21. A system which provides a meaningful method of collecting, recording, summarizing and reporting financial information by categories which are compatible to fleet budget submits. This will be accomplished by document processing by NRFCs, FAAOs, and CDPFs.

22. A means for collecting cost data in a manner which will meet the requirements of the Department of Defense, and enable Type Commanders, Fleet Commanders, OPNAV, CNM, and bureaus to review and analyze the maintenance and repair programs to determine the effective readiness posture of the Operating Forces.

23. Improved management of afloat inventory investment through production of a monthly asset report which will indicate excesses or deficiencies by inventory strata (chargeable and non-chargeable repair parts [repetitive and insurance], equipage and consumables); gross obligations and expenditures by strata; the dollar value of stock migrations NSA to APA and APA to NSA by inventory strata; the total dollar value of the on hand inventory by strata; and the dollar value of the receipts by strata.

24. Production of a weekly job order report (mechanized tenders only) showing the cost of material expended in the completion of a specific maintenance action.

77. A system must provide a mechanism which allows operators, managers, commanders and supporting planners: interacting to integrate model and exercise to [illegible] models. This will be accomplished by [illegible] processing of data, [illegible], and [illegible].

78. A demand for collecting user data is a [illegible] which meet the requirements of the [illegible] to [illegible], and [illegible] Task Commission, Fleet Commander, [illegible], [illegible] [illegible] to develop and analyze the methodology and [illegible] procedures to [illegible] the effective [illegible] [illegible] of the [illegible] [illegible].

79. Improved management of [illegible] [illegible] [illegible]

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